

Sustainability Report 2016



Certified by
the Minister of
the Environment, Japan

Corporate Motto

Courage, Courtesy, and Justice:

An enterprising spirit, a feeling of gratitude, and the proper attitude

Corporate Philosophy

Providing society with important structures and services using the technologies and experiences we have acquired to help establish a sustainable society and environment where people can live with peace of mind.

CSR Management Policy

We aim to ensure that all of us follow CSR practices and act with an awareness of all stakeholders in our day-to-day operations.

We will conduct our CSR management in accordance with the motto of “respecting all people”, in an effort to forge win-win relationships with stakeholders and create a situation in which the Company and its employees can build mutual trust in a free and broad-minded internal environment based on interactive communications.

~ Five Steps of Our CSR Management ~

1. We will listen to everyone’s opinions and create an outstanding living environment to help meet our customers’ needs.
2. We will provide workplaces that allow all who are related to or work for the Company, as well as their family members, to lead healthy and fulfilling lives, and enable employees to take full advantages of their abilities so they can feel proud to work here.
3. We will recognize social expectations and demands and take bold action in the spirit of compliance as we responsibly carry out our corporate activities without diverging from societal norms.
4. We will consider the next generation and take positive steps to create and maintain a better environment in order to facilitate a sustainable society.
5. We will actively participate in corporate social contribution activities and support individual employees’ activities in Japan and overseas by maintaining close communications with local communities.



Main body for implementing CSR activities

Individual employees at each department at the Head Office, regional headquarters, and branches and at job sites

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Editorial Policy

Nishimatsu Construction publishes the *Sustainability Report* with the goal of having all our stakeholders deepen their understanding of our initiatives toward sustainable growth.

This year's report focuses on introducing to stakeholders the present and future of our company in an easily understandable way. We enhanced financial and non-financial information, reported on each business segment, and disclosed key performance indicators (KPIs). We have a long-term vision, dubbed N-Vision2020, which sets forth what we aim to be in the year 2020. 2015 was the halfway point of achieving this vision. To help us attain the goals set forth in N-Vision2020, we reviewed the actions in our Medium-Term Management Plan and our CSR objectives. The issues identified—and the future measures to deal with them—are described in this report.

Because Nishimatsu actively operates worldwide, we are publishing an English edition of the report this year also.

We appreciate your candid opinions on this report, which also serves as a company prospectus.

Applicable Period

The applicable period for this report is fiscal 2015 (April 1, 2015 to March 31, 2016), although it also covers some activities conducted in fiscal 2016. We plan to issue our next report (the Japanese version) in July 2017.

Coverage

The scope of this report generally covers Nishimatsu Construction on a non-consolidated basis. In the Business Performance section on the Corporate Outline page, however, we disclose data—including that of group companies—on a consolidated basis. Regarding environmental performance, we also make public some environmental impact data from overseas in addition to that from Japan.

Referenced Guidelines

- Sustainability Reporting Guidelines (Version 4.0) by the Global Reporting Initiative
- ISO 26000
- Environmental Reporting Guidelines (2012 Version) of Japan's Ministry of the Environment
- Environmental Reporting Guidelines (2005 Version) of Japan's Ministry of the Environment

Financial Data (Consolidated)

Item	78th Term (Fiscal 2014)	79th Term (Fiscal 2015)
Orders received	345,853 million yen	304,764 million yen
Net sales	342,989 million yen	308,826 million yen
Operating income	8,710 million yen	16,184 million yen
Ordinary income	9,938 million yen	16,290 million yen
Net income	9,220 million yen	14,598 million yen
Total assets	386,469 million yen	351,334 million yen
Net assets	149,553 million yen	156,154 million yen
Capital to assets ratio	38.3%	43.8%
Net assets per share	533.84 yen	555.06 yen
Net income per share	33.29 yen	52.71 yen
Return on equity	6.5%	9.7%
Cash flow from operating activities	(10,448 million yen)	4,120 million yen
Cash flow from investing activities	(1,236 million yen)	(9,688 million yen)
Cash flow from financing activities	(5,701 million yen)	(2,960 million yen)
Cash and cash equivalents at the end of year	37,422 million yen	27,903 million yen
Dividend per share	10 yen	16 yen
Dividend payout ratio	30.0%	30.4%

Non-Financial Data

Item	78th Term (Fiscal 2014)	79th Term (Fiscal 2015)	
Employees (consolidated)	2,678 persons	2,704 persons	
Employees (non-consolidated)	2,424 persons	2,467 persons	
Male employees	2,155 persons	2,182 persons	
Female employees	269 persons	285 persons	
Average employee age	43.2 years old	43.4 years old	
Average length of service of employees	17.7 years	17.8 years	
Occupational accident frequency rate	0.95	1.10	
Number of occupational accidents resulting in 4 or more days off	23 cases	25 cases	
CO ₂ emission intensity:	Civil engineering	67.9 tons-CO ₂ /100 million yen	66.8 tons-CO ₂ /100 million yen
	Construction	13.1 tons-CO ₂ /100 million yen	11.1 tons-CO ₂ /100 million yen
CO ₂ emissions: Scope 1, 2 (Nishimatsu Group in Japan)	76.2 thousand tons-CO ₂	72.5 thousand tons-CO ₂	
CO ₂ emissions: Scope 3 (non-consolidated)	2,590 thousand tons-CO ₂	2,943 thousand tons-CO ₂	
Construction by-products (non-consolidated in Japan)*1	3,797 thousand tons	5,399 thousand tons	
Final landfill disposal rate for construction waste (non-consolidated in Japan)*2	5.2%	3.1%	

*1: Total weight of industrial waste, valuable resources, and displaced soil from construction.

*2: Excluding construction sludge and industrial waste subject to special control.

Establishing a win-win situation with all our stakeholders by continuing to contribute to the creation of a sustainable society and environment where people can live in peace of mind.



First, my prayers go out to those who passed away in the disastrous earthquakes that hit Kumamoto, Japan in April 2016. I would also like to express my heartfelt wishes for all the others affected by this disaster. Nishimatsu Construction is currently working on emergency restoration for its customers, as well as offering restoration support in other cases. We will continue to work company-wide to offer support with the goal of achieving reconstruction of the stricken areas at the earliest possible date.

Looking Back over Fiscal 2015

In 2015, Japan's economy as a whole enjoyed mild recovery. Japanese industry was profitable, and although consumer spending was weak, this was offset by the positive effects of spending by foreign tourists. Looking at the construction industry as a whole, construction of facilities and infrastructure in preparation for the 2020 Summer Olympics and Paralympics in Tokyo is in full swing, as are reconstruction projects following the Great East Japan Earthquake of March 2011. Although construction investment is not as strong as it was once before, the level is currently about the same as it was last year. Orders in the construction industry in fiscal 2015, from the public and private sectors combined, totaled 15.013 trillion yen. Although this was down slightly compared to fiscal 2014, I believe the industry is in good shape.

Fiscal 2015 was the first year of our medium-term management plan ending in fiscal 2017, which positions 2015–2017 as “period I” of growth and development. Thanks to positive external factors, we were able to achieve our financial and non-financial targets.

However, if we merely continue to be dependent on the external environment, we know that it will be extremely difficult to achieve sustainable growth beyond 2020.

The construction industry in Japan is approaching a turning point. We must keep an eye on the turn of events this will bring and at the same time take a balanced approach to our business. More than anything, we must build a strategy in which we take the long-term view and stay focused on the essentials. I believe this is the key to building a win-win relationship with our stakeholders.

A Resolve to Make Society Better

From 2015 to the first half of 2016, there were scandals in the Japanese construction industry regarding falsification of construction data, and these shook the sense of safety and peace of mind that the citizens of Japan previously had for the buildings they reside in. These scandals caused the construction industry to lose significant trust in the eyes of the public. As a member of the construction industry, Nishimatsu Construction is striving to restore faith in the industry as a whole and ease the worries of the public by not just providing the highest levels of quality, safety, and peace of mind, but also by ensuring that we have and comply with in-house rules of the strictest levels.

Based on our Compliance Guidelines, which state “Prioritizing compliance goes hand-in-hand with growth,” we have a whistleblower system that we use effectively to improve our corporate culture by preventing employees from committing illegal acts. We also conduct comprehensive compliance training so that compliance becomes deeply ingrained in the minds and actions of our employees. We are determined to make adherence to laws and ethics—and not a focus on profit—the engine of growth for our company. To this end we codify rules for carrying out checks, reinforce internal audits, and foster human resources, all with the aim of achieving our corporate ideal of being an attractive and enduringly trustworthy organization.

There is a risk that the construction industry in Japan will face dwindling investment and have difficulty securing profits after 2020. We cannot avoid decreasing construction-related orders following the 2020 Tokyo Olympics and the completion of the aforementioned earthquake reconstruction. As well, aging infrastructure will likely bring an increase in costs for maintenance and upgrading, and limited budgets will mean shrinking funds available for undertaking new construction projects.

For Nishimatsu Construction, however, this impending crisis provides an opportunity for us to create new value and grow our business. Ever since our company was established, we have built up technologies over the years, and I believe that this is precisely why we are able to further advance these technologies, conduct high-value-added business that contributes to society, and achieve sustainable growth.



Working toward N-Vision2020

The foundation of the business activities of Nishimatsu Corporation is to contribute to the creation of a sustainable society and environment where people can live in peace of mind. The key to doing this and becoming the kind of company we are aiming for is our N-Vision2020. This vision stipulates medium- to long-term quantitative targets and implementation of the PDCA cycle with regards to our 7+1 CSR Action Items to deal with social issues. N-Vision assumes the types of stakeholders who will be affected by each of the action items, stipulates the issues CSR management should deal with, and focuses on the viability of these items. We should always keep in mind whether carrying out various actions is in fact in line with stakeholder expectations. If necessary, we rethink and revise our actions so that we do not stray from our CSR management and so that we achieve the targets of N-Vision2020.

At COP21 in 2015, the Paris Agreement was adopted as a new framework for combating global warming. Scheduled to go into effect in 2020, it sets a goal of a carbon-neutral world sometime in the future and calls for action to deal with a range of serious

worldwide environmental problems. At Nishimatsu Corporation, we recognize the serious and pressing need to preserve the Earth's environment for future generations and to create a recycling-oriented society, and we take action accordingly in order to promote a low-carbon society and realize an environment rich with biodiversity.

One example of this is the Granda Setagaya Uemachi nursing home that we built in 2014 under our corporate real estate (CRE) business, which uses several renewable energy technologies. One of these technologies is a Cool Heat Pit that utilizes geothermal heat to reduce air-conditioning loads. Outside air is sent into an underground pit beneath the building, which is less susceptible to the influence of outside air temperatures. This air is then cooled in summer and heated in winter before being supplied to the rooms. Tests have shown that over a period of a year this system can reduce by 70% air-conditioning loads. As a result, we are able to utilize this technology to realize net-zero-energy buildings (ZEB). This is a key example of Nishimatsu Construction's environmental measures.

In March 2016, Nishimatsu Construction made the Eco-First Commitment, under which it vowed to carry out voluntary environmental measures

such as those for mitigating global warming. We were therefore certified as an Eco-First Company by Japan's Minister of the Environment. An Eco-First Company leads its respective industry in environmental measures. We will continue our efforts to strengthen technologies that protect the environment and build a corporate brand as an environmentally advanced company.

Strengthening CSR, Expanding Business

In April 2016, we transferred some of the functions of the CSR Management Promotion Department (which was established in the Office of the President) to the Corporate Planning Department. CSR activities require the focus and execution powers of the entire company. The transfer of functions is crucial to strengthening our organizational structure. Each of the headquarters in Nishimatsu Construction is proactively working toward achieving our medium-term management plan ending in fiscal 2017 while striving for non-financial action targets under N-Vision2020 and integrating these with financial target strategies. Sustainable development of our company is impossible without both financial and non-financial efforts. We have made plans and set targets and have finally completed the framework for CSR action. We can say that we are at the stage where we fill in this framework with concrete actions. Whatever the actions, if we are able to ingrain each and every one of our employees with our policies and get them united in the same



resolve, we can give these actions substance. To disseminate the policies that the company has formulated, we are working tenaciously on numerous fronts, including having management visit subsidiaries, branches, and worksites, and providing employees with e-learning, all with the goal of building a strong internal foundation for the sustainable growth and advancement of Nishimatsu Construction.

This marks the sixth year since we began our CSR activities in 2011. We still have a long way to go before we can truly call this a company-wide effort, but as can be seen from the steady increase in exclusive (sole-source) contracts, I feel we are making an impact. The increase in exclusive (sole-source) contracts is proof of customers' trust in us and also can be taken as one of the fruits of our CSR efforts. We will continue to strive to earn greater trust by steadily implementing measures in each of our company divisions.

In Conclusion

This publication marks the sixth edition of our reports on the CSR activities of Nishimatsu Construction. So far, these reports have mainly dealt with our CSR activities, but starting with this year's report we are including our 2017 medium-term management plan, which covers our financial and non-financial efforts. Our entire company has been working together to achieve the goals of this medium-term management plan: realize our corporate ideal for 2020, the type of business we want to be conducting, and stronger CSR management. Please read this year's report to see how well we have done in these efforts. I urge everyone—citizens of the communities where we have a presence, our shareholders, employees, and partner companies—to read this report and give us your earnest thoughts and opinions.

Listening sincerely to your opinions is how we strive to achieve our aim of being a company that builds win-win relationships with its stakeholders. Thank you for everything you have done for us. We look forward to your continued support.

近藤 晴貞

Harusada Kondo
 Representative Director and President

Toward 2020 and Beyond

We have drawn up our Medium-Term Management Plan 2017—Toward Sustainable Growth and Development (Fiscal Years 2015 to 2017).

Steadfastly implementing this plan will lead to sustainable growth in the years to come.

Overview of Medium-Term Management Plan 2017— Toward Sustainable Growth and Development

Target Vision as a Company

- Earn solid trust while constantly striving to be an appealing company.
- Be a company that creates new value while working with stakeholders to resolve social issues.

Basic Policies

- Training and utilization of human resources toward sustainable growth.
- Establishment of high-earning corporate base (core businesses).
- Measures for new business opportunities aimed at sustainable growth.

Principal Measures

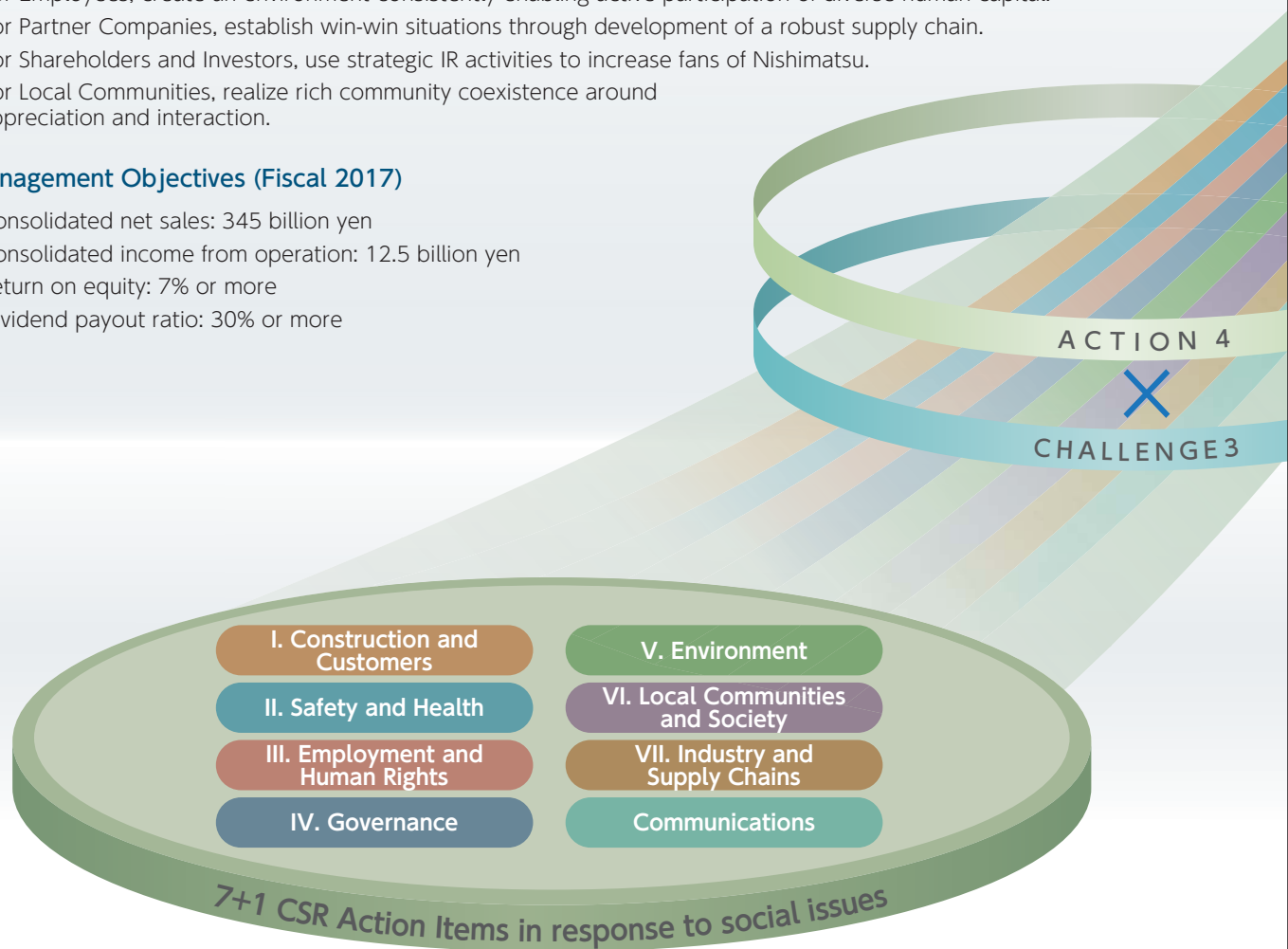
- For Customers, gain solid trust based on customer confidence in Nishimatsu.
- For Employees, create an environment consistently enabling active participation of diverse human capital.
- For Partner Companies, establish win-win situations through development of a robust supply chain.
- For Shareholders and Investors, use strategic IR activities to increase fans of Nishimatsu.
- For Local Communities, realize rich community coexistence around appreciation and interaction.

Management Objectives (Fiscal 2017)

- Consolidated net sales: 345 billion yen
- Consolidated income from operation: 12.5 billion yen
- Return on equity: 7% or more
- Dividend payout ratio: 30% or more

Successfully Building a Better Future.

Our on-site capabilities are the key to successfully building a better future. They represent a distinct competitive advantage and encompass our meticulous, conscientious construction management capabilities at job sites as well as our own abilities to uncover and resolve a wide range of problems that may lie hidden at work sites.



Build Win-Win Relationships with All Stakeholders

N-Vision 2020



Linking the Medium-Term Management Plan to CSR

In 2015 we formulated our Medium-Term Management Plan 2017.

Our previous medium-term management plan represented the growth phase of our company, while the new plan covers the development and transformation phase. This phase will be a starting point for us to take a new step toward achieving sustainable growth on an ongoing basis and develop further as a company. Under this new plan, we have designated a corporate image that we aim for: “Be a company that creates new value while working with stakeholders to resolve social issues.”

The Medium-Term Management Plan 2017 sets financial goals and non-financial goals, the latter of which do not appear on financial statements. We believe that steady pursuit of our non-financial goals

will lead us in the future to attaining our financial goals too.

This plan includes two important strategy sets, Action 4 and Challenge 3. Action 4 is a set of strategies for strengthening our core business and base, while Challenge 3 is a set of business growth strategies.

We believe that having our Medium-Term Management Plan inextricably linked with our CSR activity targets will drive us toward achieving N-Vision2020.

We can grow sustainably by implementing plans and achieving targets. This in turn will enable us to contribute to a sustainable society, which will raise our corporate value and lead to further continuous sustainable growth. We will do all we can to achieve these ideals.

Progress of the Medium-Term Management Plan 2017

Medium-Term Management Plan 2017 Key Strategies

Civil Engineering Strategy (Japan)

2015 target for orders received: 77 billion yen

2015 actual orders received: 79.2 billion yen

2017 target for orders received: 100 billion yen

Aim at being an attractive business that achieves sustainable development on an ongoing basis by establishing the Nishimatsu brand as well as a high-profit corporate structure

- Build the foundations to establish a high-profit corporate structure
- Further strengthen efforts aimed at comprehensive evaluation projects
 - Maintain an ongoing commitment to disaster reconstruction projects
 - Strengthen the organization and the individual by training young engineers
- Launch efforts to provide momentum for future civil engineering business
- Broaden sales efforts aimed at private-sector customers
 - Promote efforts toward renovation and renewal projects (including public-private partnerships and private finance initiatives)
 - Develop new technologies, such as back-end operations for nuclear power generation

Building Construction Strategy (Japan)

2015 target for orders received: 182 billion yen

2015 actual orders received: 208.3 billion yen

2017 target for orders received: 180 billion yen

Aim at being a business worthy of trust by building from a customer perspective

- Solidify the foundations aimed at ensuring consistent revenue on a sustainable basis
- Conduct extensive research into customer needs based on organizational operations
 - Strengthen on-site capabilities (= ability to uncover problems and solve them on one's own)
 - Strengthen the technology-related aspects of the construction management follow-up system
- Focus on fields where we enjoy a competitive advantage
- Create fields of specialization by strengthening technical design and construction capabilities
 - Build partnerships with customers throughout the life of a building

Development and Real Estate Strategy

2015 net sales target: 9 billion yen

2015 net sales results: 10.3 billion yen

2017 net sales target: 12 billion yen

Aim at being a business that can offer high-value-added solutions

- Strengthen capabilities to generate new business
- Promote attractive, accessible urban environments by creating development projects
 - Actively develop a one-stop real-estate solution service
 - Offer proposals to commercialize real estate holdings that a customer owns
- Reinforce income and asset structure
- Expand investment in income properties and develop projects that enhance real estate value
 - Build asset portfolios that yield high profit

Overseas Business Strategy

2015 target for orders received: 34 billion yen

2015 actual orders received: 11.1 billion yen

2017 target for orders received: 50 billion yen

Looking to the future, strengthen our operational fundamentals and aim at being a business that will ensure consistent ongoing profits

- Ensure consistent profits and improve overseas management capabilities
- Raise the level of risk management
 - Strengthen overseas organization and train local staff
- Take on the challenge of new business models
- Promote infrastructure-related business (including public-private partnerships and private finance initiative projects)
 - Make effective use of overseas assets
 - Expand into Laos and Cambodia (Mekong region)

Looking Back over Fiscal 2015

Activities in Fiscal 2016

Although we achieved overall targets for orders received, we did not achieve our targets for orders received for comprehensive evaluation projects. Our aim is to have these projects serve as the foundation for establishing a high-profit corporate structure.

- Issues in comprehensive evaluation projects
 - Decline in accuracy due to younger staff with fewer years of experience
 - Decline in the number of projects participated in due to lack of staff
- Issues in private-sector projects
 - Intensity of sales efforts varied by region
- Delays in progress on renovation and renewal projects
 - Difference in enthusiasm among local governments
 - A sense that we lack technologies for renovation

Our goal is to gain the trust of society and our customers and penetrate into the community. Accordingly, we will be working proactively with the aim of strengthening our order capabilities, improving profitability, and strengthening our organization as well as individuals in order to create a high-profit corporate structure.

- Establish a high-profit corporate structure
 - Analyze factors that lead to design changes
 - Increase the number of experienced individuals in departments responsible for estimates
 - Build a company-wide support system that functions during the period when project estimates increase
- Boost efforts toward private-sector projects
 - Take on a customer perspective and continue exploring how we can contribute
 - Strengthen sense of trust gained from long-term business relationships
- Promote efforts toward renovation and renewal projects
 - Implement sales activities by management that lead to receiving orders for all-inclusive subcontractor business
 - Develop proprietary technologies in collaboration with the Technology Research Institute and Construction Engineering Committee

We achieved all our targets for orders received, net sales of project completions, and gross profit. The situation surrounding construction investment has changed dramatically since we first formulated our Medium-Term Management Plan 2017. Therefore, we must work out an appropriate sense of scale and direction with a focus on human resources.

- Increased orders by strengthening upstream sales
- Pushed back timing of customer orders based on market wait-and-see
- Strengthened in-house coordination in concert with re-energizing job rotation in the design planning department
- Improved customer service and information sharing

We will continue providing construction services of the highest quality by ensuring that the scale of orders is appropriate for our current construction capacity. By further strengthening organizational operations, we will aim for reliability in our building construction business by focusing on the fields where we enjoy a competitive advantage.

- Establish business strategies in new markets
- Establish medium- to long-term business strategies at each regional headquarters and branch office
- 70% or higher hit rate for priority properties
- Make first-half orders received and total estimated revenue be 90% of the annual target amount

The real estate market was strong and we were able to maintain a high occupancy rate for rental properties. As a result, net sales were almost as planned, and gross profit and operating income took an upward swing compared to projections.

- Fiscal 2015 Final Completions and Project Starts
- Tokai Otagawa Station west district urban redevelopment project (Tokai City, Aichi Prefecture)
 - Ebara Corporation company dormitory leasing business (Yamato City, Kanagawa Prefecture)
 - Launched five new commercial business operations
 - Looking ahead toward development of a one-stop real-estate solution service, we allocated task responsibilities in our real estate business within the group
 - Largely completed disposal of low-profit assets

We will strengthen commitment to the “upstream-to-downstream complete-package business model” (a business model that provides comprehensive management of a project over the long term, from initiating the proposal up to operation and maintenance of the project).

- Major Projects Scheduled for Completion in Fiscal 2016
- Higashi-omiya Shopping Center (Saitama City, Saitama Prefecture)
 - Hiyoshi International House student dormitory, Keio University (Yokohama City, Kanagawa Prefecture)
 - Takaoka Station east district building complex development project (Takaoka City, Toyama Prefecture)
 - Early commercialization of projects currently in development
 - Ongoing efforts toward sales and marketing businesses
 - Investment focus on income properties and land for future commercial development

As the scale of projects grew in size, postponed plans and aborted initiatives had a significant impact on our order-taking strategy. Slow progress for some construction work led to a decline in revenue and hence we were not able to achieve our targets for net sales of project completions and gross profit.

- Improved accuracy of cost management system, which integrated work completed, value of work completed, costs, and progress of work
- Lack of appropriate personnel positioning

We will work proactively to improve tender submission and management operations, as well as improve and strengthen construction management in order to maintain consistent profit on an ongoing basis.

- Revise decision criteria for whether to take action on a project, as well as review noteworthy points that should be taken into consideration
- Improve the capabilities of tendering teams and fill out their rosters with needed estimating personnel
- Maintain planned progress rate
- Review and modify on-site organization
- Eliminate non-compliant safety and quality items

Establishment of Lao Nishimatsu Construction Co., Ltd.

In April 2015, Thai Nishimatsu Construction Co., Ltd and Savan TVS Consultant Co., Ltd, a Laos construction and consulting company, established a joint venture that became the first Japanese general contractor in the Lao People’s Democratic Republic. In addition, we took a role in establishing a development management company for the Pakse-Japan SME Special Economic Zone (PSEZ; total area: 195 hectares), which had been approved in August 2015 for Pakse, Champasak Prefecture, in the southern part of Laos. This special economic zone is intended for Japanese SMEs and is expected to lead to the creation of local employment opportunities and industrial development. It also aims to be a nature-friendly industrial park that gives full consideration to the environment along the Mekong River.

Medium-Term Management Plan and CSR Activity Targets

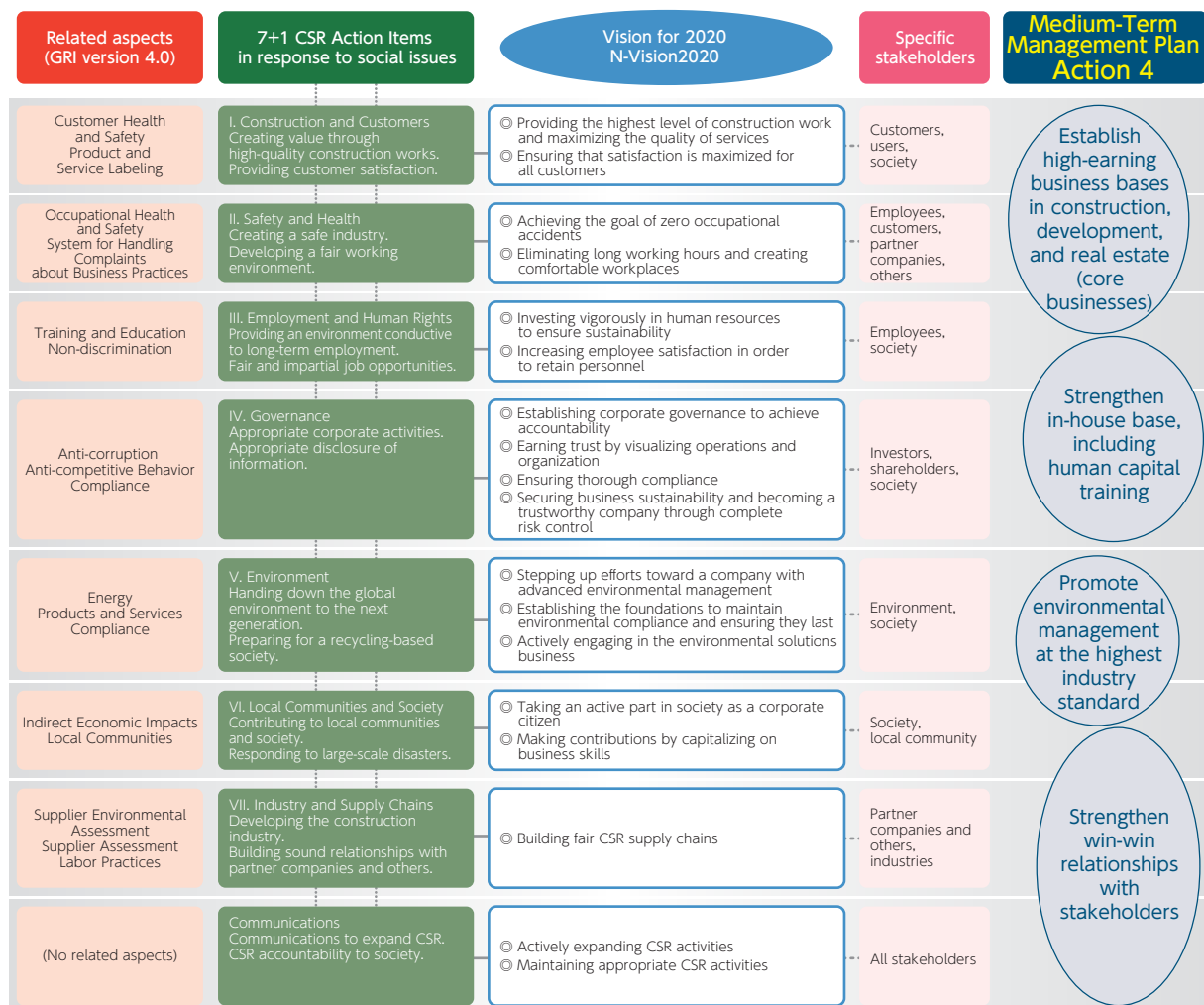
Nishimatsu Construction is working to integrate the non-financial goals of the Medium-Term Management Plan with CSR activity targets.

Our aim is to achieve our vision for 2020 (N-Vision2020) by unifying the 7+1 CSR Action Items and the Medium-Term Management Plan (ACTION 4).

ACTION 4 (strategies to strengthen business fundamentals and core businesses)

Four action plans to win the unwavering trust of our customers with the goal of establishing the Nishimatsu brand

- ◆ Build the foundations for a highly profitable company in the building construction business as well as in the development and real estate business
- ◆ Strengthen win-win relationships with stakeholders
- ◆ Advance the industry's highest level of environmental management
- ◆ Strengthen key in-house systems, including human resource development



CHALLENGE 3 (business growth strategies)

Pursue reforms to achieve a business structure that responds flexibly to volatility in the external environment

- Advance infrastructure business and other new business
- Strengthen technology research and development
- Encourage innovation primed for commercialization

Words from the General Manager of the Office of the President

Initiating management strategy meetings to foster more rapid business development capabilities

At the completion of the first year of the Medium-Term Management Plan 2017, we reviewed our past activities. Each headquarters is planning and deploying a variety of measures aimed at achieving our financial and non-financial goals, but I feel we need more imaginative and creative thinking to further expand ongoing activities across the entire company. As a concrete measure for fiscal 2016, we initiated management strategy meetings organized at the cross-departmental working level. The aim is to deepen discussions at the working level on themes and issues that go hand-in-hand with the activities of each department, bring specific measures that are seamlessly linked and rooted in common values to the table in management meetings, and promote rapid business development. By boosting the power to solve problems across our entire organization, we will advance our efforts toward sustainable development, working together with all our stakeholders.



General Manager of the Office of the President
Osamu Shibui

Our Highest-Priority CSR Issue

Bringing about improvement in long working hours

Over the years, the issue of long working hours has become a barrier to future sustainable development. In fiscal 2016, we will launch efforts to deal with the issue as one of the biggest challenges confronting management. We will expand the use of the PDCA cycle to implement solutions and make steady improvements across the entire company. Accordingly, we will disseminate the message directly from management to stimulate a change in mindset in each and every employee. As one concrete action, at each worksite and department we will formulate a plan for working hours tailored to operational planning. We will also promote systematic efforts toward achieving these plans at every level (corporate, worksites/department, and individual), and we will conduct a multifaceted analysis of any discrepancy between the plans and the actual situations.

2nd CSR Awards

With the aim of making CSR activities better known within the company, and further, deploying them group-wide, we launched a CSR award system in fiscal 2015. We have issued awards for the following seven activities chosen from among the many activities undertaken in fiscal 2016.

	Activity Name	Activity and Subject
Community Service	Nishimatsu Construction Community Development Fund for Natori City	CSR Promotion Division, North Japan Regional Headquarters
Community Service	Hong Kong Coastal Cleanup	Hong Kong Branch
Community Service	Cooperation with local community organizers for the Hachijurigoe Bus Tour	Hachijurigoe Tunnel Field Office (Kanto Civil Engineering Regional Headquarters)
Stakeholder Communications	Disaster preparedness and environmental education for elementary school students in the vicinity of Aikawa Technical Research Laboratories	Technical Research Institute
Stakeholder Communications	Aiming for zero emissions—Reducing CO ₂ emissions and conducting various CSR activities	Ropponmatsu Construction Field Office (Kyushu Regional Headquarters)
Industry/Supply Chain	Participating in the Tokushima Cooperative Forestry Project	Shikoku Branch
Quality Improvement/Customer Satisfaction	Post-disaster restoration in the northern part of Kobe City	Shintetsu-tanigami Field Office (West Japan Regional Headquarters)

Reviewing the 7+1 CSR Action Items

Review of Fiscal 2015

We established 79 specific key performance indicators (KPIs) in our 7+1 CSR Action Items and put them into action.

In reviewing each action item individually, all indicators for “IV. Governance” and “+1. Communications” now show a high level of achievement.

For “I. Construction and Customers,” “V. Environment,” “VI. Local Communities and Society,” and “VII. Industry and Supply Chains,” we have largely achieved our objectives, but fell short of our goals for some indicators.

For “II. Safety and Health” and “III. Employment and Human Rights,” we missed our targets in a significant way for the indicators of work-related accidents, long working hours, and the personnel system, and the result, we fell short of achieving our overall objectives.

7+1 CSR Action Items Vision for 2020	Establishing KPIs to become the kind of company we want to be	Target values of FY2015	Results
I. Construction and Customers ◎ Providing the highest level of construction work and maximizing the quality of services ◎ Ensuring that satisfaction is maximized for all customers	We aim to earn high marks from our customers. ① Civil engineering: Average annual construction performance evaluation scores for public-works projects ② Building construction: Percentage of A ratings in customer questionnaires ③ Overseas business: Number of times on-site quality patrol inspections are carried out	① 78 points or more ② 75% or higher ③ Once/month/country	① 79.3 points ② 77% or higher ③ 36 times achieved (37 planned)
II. Safety and Health ◎ Achieving the goal of zero occupational accidents ◎ Eliminating long working hours and creating comfortable workplaces	① Frequency rate of absences of four or more days from work ② Frequency rate of absences of one or more days from work ③ Civil engineering: Number of days off taken by on-site employees ④ Building construction: Average overtime hours worked per month by on-site employees ⑤ Percentage of vacation entitlement actually used by employees posted overseas	① 0.70 or less ② 1.60 or less ③ 6 days off in four weeks: 80% achieved ④ 60 hours or less ⑤ 90%	① 1.10 ② 1.63 ③ Unachieved ④ Unachieved ⑤ 90%
III. Employment and Human Rights ◎ Investing vigorously in human resources to ensure sustainability ◎ Increasing employee satisfaction in order to retain personnel	We have established two indicators to make us a company in which motivated employees can continue to work even if various restrictions exist. ① Employee satisfaction (5-point scale) ② Percentage of women on a career track	① Research and preparation ② 2.0%	① Uninvestigated ② 2.4%
IV. Governance ◎ Establishing corporate governance to achieve accountability ◎ Earning trust by visualizing operations and organization ◎ Ensuring thorough compliance ◎ Securing business sustainability and becoming a trustworthy company through complete risk control	We are conducting compliance awareness surveys related to the practical implementation of compliance management in the face of societal changes. ① Awareness survey overall evaluation score We are implementing strong encryption on company-owned computers to combat information leaks resulting from data theft or loss. ② Percentage of company-owned PCs using encryption	① 1.1 points or more ② 25%	① 1.15 points ② 21%
V. Environment ◎ Stepping up efforts toward a company with advanced environmental management ◎ Establishing the foundations to maintain environmental compliance and ensuring they last ◎ Actively engaging in the environmental solutions business	We are implementing a variety of measures, with our basic policy being aggressively putting environmental management into practice aiming to pass on a healthy global environment to the next generation. ① CO ₂ emission intensity (t-CO ₂ /100 million yen) ② Percentage of construction waste sent for final landfill disposal (%) ③ Percentage of sites where activities to preserve biodiversity have been implemented (%)	① Civil engineering 51.2 t-CO ₂ Building construction 12.8 t-CO ₂ ② 7.0% ③ 20.0%	① Civil engineering 66.8 t-CO ₂ Building 11.1 t-CO ₂ ② 3.1% ③ 23.2%
VI. Local Communities and Society ◎ Taking an active part in society as a corporate citizen	We have set goals to improve employee awareness and build good relationships with local communities. ① Number of community service activities conducted during the year	① 70 cases	① 75 cases
VII. Industry and Supply Chains ◎ Making contributions by capitalizing on business skills ◎ Building fair CSR supply chains	Rate of orders received from N-NET members for each fiscal year (by monetary value)	① Civil engineering 60% ② Building construction 50%	① 59% ② 57%
+1. Communications ◎ Actively expanding CSR activities	① Number of site tours held for investors annually	① More than once	① Twice

Activities for Fiscal 2016

We recognize the need to impress on and infuse awareness of CSR activities in each and every employee as well as the significance of acting proactively on CSR activities.

To continue to make CSR activities a matter of personal concern, we will take steps to deal with problems that have become evident and specifically put them in action. A series of activities will be developed by repeatedly confirming the results, and we believe this will enable us to realize what we hope to be in the year 2020.

In fiscal 2016, we will continue to put our CSR activities into practice to reinforce our goal of building win-win relationships with all stakeholders and continue to develop in a sustainable manner.

Self-evaluation

Challenges emerging from the reviews, and future measures

○	<p>① Challenges include extending the know-how gained from public-works projects to construction sites around the country, and maintaining and improving our engineering and construction capabilities. Countermeasures include reinvigorating construction technical advisory committees and quality patrol inspections and strengthening cooperation among all project sites.</p> <p>② We had projects that received low ratings from customers. In the future, we will work to gain a better grasp of customer requirements and make these thoroughly understood by not only company employees but also on-site laborers.</p> <p>③ We carried out inspections in accordance with the Site Patrol Schedule for Fiscal Year 2015. Teams comprising experienced employees and younger employees are implementing joint inspections that transcend national borders. These efforts will be ongoing in the future.</p>
△	<p>Numerous accidents occurred in which workers at the same job site suffered injuries. The main problems include lack of education, lack of voluntary safety management, and failure to fully enforce safety rules.</p> <p>Also, no significant results were evident for the situation with mandatory days off and average overtime hours. In fiscal 2016, we will tackle the problem of long working hours as a management issue. To improve the percentage of annual vacation entitlement actually used by employees posted abroad, we have revised work rules according to the actual situation to make it easier to take days off. We will continue efforts to raise awareness of taking vacations.</p>
△	<p>We developed a variety of measures to support a work-life balance.</p> <p>① Expand parental leave time period; ② Provide sick/injured child care leave; and, ③ Expand the system of allowing shorter working hours. In the future, we will work to raise awareness of these support systems and will be exploring pregnancy leave and a return-to-work plan as new systems. No impacts have been measured over the short term, but we will continue our efforts to retain valuable personnel on a long-term basis. In fiscal 2016, we plan to conduct employee satisfaction surveys.</p>
◎	<p>Although we achieved our targets for overall evaluation scores, in looking at the results of the awareness survey, challenges in dealing with harassment and overtime stood out. With regard to preventing harassment, we will be implementing a series of effective and practical education programs. (See page 42 for the actual results of the compliance awareness survey.)</p> <p>We are pushing ahead with stronger encryption measures when updating and replacing company-owned PCs. We will strengthen measures and training to counter information leaks resulting from causes other than PC theft.</p>
○	<p>We did not achieve our targets for CO₂ emission intensity in civil engineering works. The results of an analysis of performance data for the current fiscal year showed that electric power and diesel fuel consumption accounted for the majority of CO₂ emissions in civil engineering works. It was also clear that certain specific types of projects had high emission intensity. Going forward, we will make these the main target in the next fiscal year, and we will be promoting CO₂ reduction activities such as pursuing energy efficiency and introducing alternatives to diesel fuels.</p> <p>Regarding other activities, we were generally able to achieve our goals. But because the target values will be higher in the next fiscal year and beyond, we will push ahead with planned measures and further strengthen our efforts.</p>
○	<p>We undertook a variety of community service activities in Japan and abroad. At the same time, we have fallen into a rut with respect to these activities. We will reaffirm their importance and work to further expand such activities.</p>
○	<p>Differences in the order rate by region were evident. We will strive to build win-win relationships by establishing the advantages of becoming an N-NET member.</p>
◎	<p>We will implement more effective initiatives on how dialogue with investors will lead to improvements in the company's stock price. In the future, we intend to convey the latest information at construction sites, and we will expand interactive investor relations activities.</p>

Self-Evaluation ◎ = Achieved ○ = Mostly achieved △ = Not achieved

Civil Engineering & Business Headquarters

Words from the General Manager

Extending the ability to respond to on-site risks from the individual to the organization

One of the declared strategies of the Civil Engineering & Business Headquarters is “strengthening the individual and the organization.”

To recover from the 2008 global financial crisis as well as the decline that resulted from past scandals, we first focused on strengthening the organization, and this has shown results. In the future, to respond to difficult-to-forecast economic trends and the rapidly changing social environment in 2020 and beyond, we believe that strengthening the individual, and as a consequence, making the organization stronger, will also be important to speed up our forward progress.

The first step to achieve this is for all employees to remain aware of what is going on around them and to recognize that they, too, have responsibilities and to act accordingly. I acknowledge that my personal role is to create an environment in which individual employees will not shy away, but rather one where he or she can maximize the best abilities they have to offer.

Construction sites are places of great uncertainty, and it is important to walk these sites often and hone one’s gut feeling with respect to risks by seeing, listening, smelling, touching, and yes, sometimes even tasting. We expect all of our employees to be flexible and demonstrate a good ability to deal with on-site risks.



General Manager of Civil Engineering & Business Headquarters

Makoto Isshiki

External Environment

Natural disasters such as typhoons and major earthquakes occur frequently. The role of the construction industry is extremely important in restoration and reconstruction, as well as in minimizing risks posed by disasters. The Japanese government’s Fundamental Plan for National Resilience is moving ahead, and we anticipate demand for further infrastructure development to continue.

Strengths and Competitive Advantages

We understand that “on-site expertise” embodies the earnestness and integrity acclaimed as outstanding characteristics of our employees. For us to continue to be a trusted company, we will pass down this corporate culture that our forerunners had built.

Since making career track positions available to female employees in 2012, we now have 16 female civil engineers actively working in Japan as of April 2016. We anticipate that the new perspectives offered by these women engineers will lead to a workplace environment in which not only women, but also a wide variety of individuals, will find it easy to work, and will be eager to work.

Future Strategies

In the wake of the global financial crisis, construction investment shrank and fierce competition for orders followed. To cope with this, we introduced a regional headquarters and business headquarters system and built an organizational structure capable of rapidly building consensus. For the future, we want to push ahead still further and build the foundations for establishing a high-profit corporate structure.

In terms of orders, government-sector projects have been our main focus, and the percentage of private-sector projects has tended to be low. However, from now on, our desire is to focus on private-sector construction (railways, electrical power). We are also launching initiatives in collaboration with the building construction departments, such as housing and commercial development along rail lines.

To improve our technical capabilities, we will move ahead to revitalize the activities of the Construction Engineering Committees. Our desire is to pass on engineering know-how by appointing young project manager-level employees to head the committees and exploring solutions together with the next generation. Our aim is to make a further leap forward to be a trusted Civil Engineering & Business Headquarters.

KPI Disclosure

Average construction performance evaluation score for eight public-works projects sponsored by the Ministry of Land, Infrastructure, Transport, and Tourism:

FY2015 achievement **79.3** points

Building Engineering & Business Headquarters

Words from the General Manager

Toward a system that enables highly skilled personnel to further exercise their capabilities

One strategy of the Building Engineering & Business Headquarters calls for “laying the groundwork toward a sustainable growth strategy,” and to achieve this, we are actively working to strengthen our on-site expertise. I believe that the basic foundation leading to growth is maximizing on-site expertise and organizational strength, and to achieve that, what is most important is strengthening human resource capabilities.

In the course of putting into action our Medium-Term Management Plan 2017, and to pursue construction work, service, and quality at the highest level, we have now set forth concrete measures designed to reinforce the capabilities of our employees for each key strategy in our construction business. We are encouraging all employees involved in the business to share, and in doing so, to think and act as a team.

In the future, we will further enhance the capabilities of our employees, and by optimizing staff assignments so that highly skilled employees can demonstrate their abilities to the fullest, I anticipate that we will get everyone working toward further improvements in productivity.



General Manager of Building Engineering & Business Headquarters

Akira Maeda

External Environment

We believe that the Japanese government’s economic growth strategy intended to overcome deflation will result in a gradual economic recovery continuing for some time. We expect that infrastructure development, such as holding the Tokyo Olympics and Paralympics as well as expanding and improving the transportation network, will result in a constant demand for construction investment.

Strengths and Competitive Advantages

To focus on areas where we hold a competitive advantage, which is one of our strategies, we created an organizational structure that merged the sales, engineering, and administrative departments. Doing so has made it possible to respond to customers on a continuing basis, from the design stage to the post-completion/handover phase. As result of these efforts, the rate of exclusive (sole-source) contracts awarded to us has improved. By remaining aware of the part we play as a partner to our customers, and by further strengthening our efforts to enable us to provide better project coordination and design plans beginning at the planning phase, we will strive to build even stronger win-win relationships.

Future Strategies

With respect to work volume, we believe that we have transitioned to the stage where we will pursue not only quality, but also scale.

We will further hone our capabilities in the fields where we excel. We are working to differentiate ourselves from the competition by making optimal structural designs for each building use and making new engineering proposals related to construction methods.

In terms of a medium- to long-term business strategy, we believe that we can reap the benefits of Japanese government planning policies. Our desire is to take up the challenge of new fields such as lodging and accommodations that make effective use of a large number of buildings that are up for renewal, as well as food service facilities, medical facilities, and pharmaceutical facilities that provide public safety and security.

By keeping in mind laying the foundations to build the next strategies to come, by developing project planning concepts with an eye to the future, and by forthrightly pushing ahead with strategies and measures to achieve our Medium-Term Management Plan 2017, I believe that we can step up to the next stage.

KPI Disclosure

Percentage of exclusive (sole-source) contracts

FY2015 achievement 52%

Development Business & Real Estate Headquarters

Words from the General Manager

Guiding business to the next stage to create a new value

Five years have now passed since we established the Development Business & Real Estate Headquarters. We felt we needed to change our traditional initiatives and perspectives toward business and bring about a variety of actions to create new value, and thence proceed to the next stage in tune with the current business environment where evolution and development are swift.

Our business headquarters is thoroughly examining what kind of value we can provide our customers and to society, and we are building new business models that offer a high level of customer satisfaction.

We have adopted the slogan, "A team of experts that wins the overwhelming support of our customers," and are taking up the challenge to build new value-creating businesses.



General Manager of the Development Business & Real Estate Headquarters

Yoshiyuki Sawai

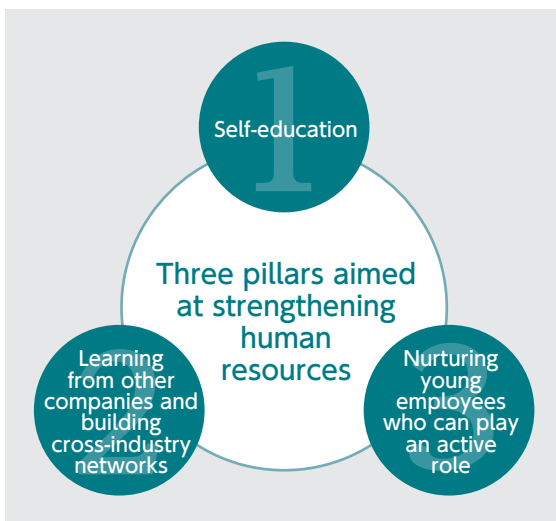
Future Strategies

We will forge ahead to develop new businesses centered on redevelopment projects that will lead to attractive urban development and revitalization of local economies, commercial facilities development and management projects, as well as corporate real estate (CRE) and one-stop real estate solutions businesses.

We will also further improve the value provided to customers, such as efficient building maintenance and management and facilities value enhancement by taking advantage of the remarkable evolution in information and communications technologies (ICT). In addition, we will develop a complete-package business that provides comprehensive management of a project over the long term, from initiating the proposal up to operation and maintenance of the project.

We are also actively working on diversity. The world of urban development and real estate is seeking the active participation of women who bring fresh ideas and a multifaceted perspective. We will continue to recruit women in the future, and our desire is to broaden diversity across all departments.

From now into the future, competition that cuts across different types of businesses will grow, and we must imagine new business activities outside the framework of the construction industry. The Nishimatsu Group will continue to explore what sort of value we can provide, and by using our diverse human resources to the fullest, strengthen our approach from a multifaceted point of view, and continue our further evolution.



Long-Term Vision

Our aim is to be a team of experts that wins the overwhelming support of our customers.

To achieve this goal, we will create high-value-added solutions that far exceed those of other companies to increase the satisfaction for our customers and society. By doing so, we can:

- ① Build relationships of trust with our customers and local communities over the medium- to long-term; and,
- ② Grow together along with our customers and local communities.

KPI Disclosure

Percentage indicating "Satisfied" or "Generally satisfied" in a tenant satisfaction survey

Total **75%**

International Division

Words from the General Manager

Further developing human resources to respond to global business expansion

Nishimatsu Construction is expanding overseas, mainly in Southeast Asia (see page 59). Our business is centered on civil engineering projects involving highly public infrastructure development and on construction works ordered by Japanese companies. We are implementing more specific “7+11” activities based on a strategy to ensure stable profit and improve overseas management capabilities, as well as taking up the challenge of new business models.

Our aim in terms of human resource development is to create an executive structure that includes local staff with the right people in the right job. For this, we ask Nishimatsu employees to serve in the role of CEO and local staff members to serve in the role of COO. The need for skilled workers is increasing overseas and we are working to make full use of our technologies to improve the skills of workers in various countries.

Our strengths include a tremendous reservoir of trust gained from construction successes over the past half-century. In Hong Kong and Singapore, we have the highest bid participation qualification. We enjoy a competitive advantage in construction technology—particularly in the area of underground construction—which local contractors do not have. We maintain good relations with outstanding local subcontractors, and this can also be regarded as a major advantage.



General Manager
of the International Division
Akira Matsumoto

Future Strategies

As the integration of East Asian economies moves forward, the countries of the Mekong River basin are expected to undergo significant economic development in the future, and this is fueling a trend toward the development of good infrastructure. By introducing Nishimatsu’s construction technologies, we believe that we can play a major role in terms of safety, quality, and the environment. We are also achieving improvements on environmental issues and responding appropriately to human rights issues such as child labor and abusive labor practices in the countries where we do business. We believe these efforts will provide ample support to our clients who are expanding their business overseas. We are also investing in ancillary projects that will lead to subcontractor business, and are taking up the challenge posed by new business models and building a system that will ensure steady profits on an ongoing basis. In the future, we will strive to ensure that our expansion enables us to contribute to the development of the countries where we have a presence.

Technical Research Institute

Words from the General Manager

Using technology to blaze new paths to Nishimatsu’s future

The Technology Research Institute has accepted the company-wide strategy of sustainable growth and development, and adopted the slogan, “Be a core organization that promotes the creation and deployment of Nishimatsu technologies.” Accordingly, we are putting into practice three missions and nine actions.

To become the wellspring for our technologies in the future, and further, to take part in solving societal problems over the medium and long term, employees of the institute are broadening their horizons and pursuing longer-term thinking and research ideas.

- Mission 1: Contribute to our core businesses by strengthening our competitiveness in the construction business
- Mission 2: Take up the challenge of new business fields by strengthening our technological development capabilities and extending the domains of our technologies
- Mission 3: Serve the Nishimatsu brand by improving our status in terms of technology



General Manager of the Technology
Research Institute
Katsuya Iwanaga

Future Strategies

The high level of practical on-site technical skills is regarded as one of Nishimatsu’s strengths. Human resource development is considered important to pass on the legacy of this strength. But we find ourselves in a situation in which exhaustive on-the-job training is impossible due to lack of staff, and hence, we believe that building a knowledge transfer system based on the use of artificial intelligence will also be important.

In addition, we are aggressively promoting industry-academia cooperation and cross-industry collaboration, and are working to strengthen technological capabilities and expand the scope of our technologies. We would also like to contribute to countering global warming and protecting the global environment.

KPI
Disclosure

Number of new technologies developed to meet customer needs

Practical applications of **10** technologies

Aiming to Be an Environmentally Advanced Company

Our Role as an Eco-First Company



In March 2016, Nishimatsu Construction declared its Eco-First Commitment related to environmental initiatives that include measures to counter global warming, and was certified as an Eco-First Company by Japan's Minister of the Environment. It was the first time this certification was given in two years. We are the 40th company (the fourth general construction company) to be certified since this program began. Under the initiatives based on environmental measures outlined in our Medium-Term Management Plan 2017, we are advancing toward achieving the goals in the Eco-First Commitment and will further reinforce our environmental activities and work to achieve concrete results.

Eco-First Commitment

The Eco-First Commitment establishes initiatives and their targets for reducing CO₂ emissions, preserving biodiversity, reducing construction waste, and promoting environmental education. On March 30, 2016, we placed this written commitment in the hands of the Minister of the Environment, and by committing to its contents, received Eco-First certification.

In the future, as an Eco-First Company, Nishimatsu Construction will continue to contribute to preserving a sustainable global environment and passing it down to the next generation.

What Is the Eco-First Program?

To promote the advanced initiatives of leading environmental companies in each industry...

- Companies make a commitment to the Minister of the Environment related to their initiatives to protect the environment such as measures to counter global warming, as well as waste and recycling measures.
- The Minister of the Environment certifies that these companies (leaders in the environmental field in their industry) will carry out industry-leading business activities in the environmental field in a forward-thinking and uniquely creative manner.

The Eco-First Program comprises the two items cited above.

● Initiatives under the Eco-First Commitment

Nishimatsu Construction aims to be an environmentally advanced company, and is promoting environmental conservation activities by having mapped out our Medium-Term Management Plan 2017 in fiscal 2015. We are further strengthening our efforts by declaring the medium- and long-term initiatives and goals based on this plan as our Eco-First Commitment.

Commitment 1 Reduce CO₂ emissions

① Reduce CO₂ emissions in construction work

FY2020 target Reduce CO₂ emissions by 50% compared to fiscal 1990 levels

Major initiatives

- Introduce LED temporary lighting at all sites
- Make active use of energy-efficient construction machinery
- Fuel-efficient operation of construction machinery
- Use BDF (biodiesel fuel)
- Actively use solar panels, etc.

Note: CO₂ emissions in construction work are based on CO₂ emissions per 100 million yen of construction costs (emission intensity: t-CO₂/100 million yen).

② Reduce CO₂ emissions from other than construction work

FY2020 target Reduce office-related CO₂ emissions by 10% compared to fiscal 2014 levels

Major initiatives

- Convert office lighting to LEDs
- Diligently turn off lights
- Optimize air conditioning temperature settings
- Introduce energy-efficient equipment, etc.

FY2020 target Establish design technology for ZEB (net-zero-energy buildings)

Major initiatives

- Introduce energy-saving and energy-creating technologies to Nishimatsu-designed buildings

FY2020 target Reduce CO₂ emissions in office buildings we design by 50% compared to fiscal 2009 levels

Major initiatives

- Implement environmentally friendly design

③ Understand and publicize Scope 3

Annual implementation target Calculate and publicize annual Scope 3 CO₂ emissions

Note: Scope 3 CO₂ emissions are indirect emissions that occur in the value chain, including both upstream and downstream emissions.

Commitment 2 Preserve biodiversity

○ Put activities into practice to preserve biodiversity

FY2020 target Put activities into practice to preserve biodiversity at all construction sites

Major initiatives

- Make full use of our own Biodiversity Assessment Checklist
- Raise the level of on-site activities to preserve biodiversity, etc.

Commitment 3 Reduce construction waste

① Reduce the percentage of waste sent for final landfill disposal

FY2020 target Percentage of construction waste sent for final landfill disposal of less than 3%

Major initiatives

- Strengthen 3Rs (reduce, reuse, and recycle)

② Introduce and promote electronic manifests (e-Manifests)

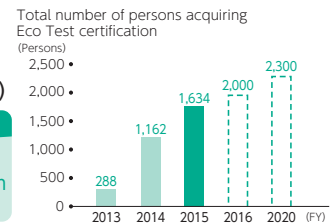
FY2020 target Achieve 100% adoption rate for e-Manifests

Note: To promote effective use of resources

Commitment 4 Promote environmental education

① Promote the Eco Test (Certification Test for Environmental Specialists)

FY2020 target Certification acquired by 2,300 individuals (more than 90% of current employees)



Note: To raise the level of environmental awareness among our employees, the foundation of environmental management

② Conduct environmental seminars and environmental training sessions

Annual implementation target Conduct environmental seminars and environmental training sessions for all employees

Note: To improve environmental awareness and knowledge of all employees and ensure environmental compliance

Aiming to Be an Environmentally Advanced Company

In December 2015, the historic Paris Agreement was adopted at COP21, which set a goal of limiting the global rise in temperature since the Industrial Revolution to less than 2°C. In March 2016, Nishimatsu Construction received Eco-First certification from Japan's Minister of the Environment. To achieve the Eco-First Commitment signed with the Minister of the Environment, it is essential to raise the environmental awareness and knowledge of all employees as well as to strengthen our strategic initiatives. 2016 is a very important year in achieving our goal of becoming the environmentally advanced company we advocated in our Medium-Term Management Plan 2017. We want to make 2016, the second year of the Medium-Term Management Plan, a year in which, together with all of our stakeholders, we deepen the recognition that environmental management will lead to the sustainable development of our company and in which we draw one step closer to being an environmentally advanced company.



General Manager of the Safety, Environment & Quality Headquarters
Akimitsu Takashima



Concrete Initiatives Toward Being an

Toward Achieving Environmental

◆ CO₂ Reduction ◆ At construction sites...



Converting temporary lighting at construction sites to LEDs

We are converting temporary lighting at construction sites to LEDs.

- Results: 70 sites (23% of total sites)
- CO₂ reduction: 1,583 t-CO₂ (emission intensity: 0.6 t-CO₂/100 million yen)
- FY2016 target: 120 sites (40% of total sites)



Making full use of BDF in construction machinery

We are using biodiesel fuel (BDF)* in construction machinery.

- Results: Two sites; 10,000 liters (for crawler cranes and generators)
- CO₂ reduction: 25 t-CO₂
- FY2016 target: 280,000 liters

*BDF is an alternative light fuel produced from waste cooking oil and is considered to be carbon-neutral.



Installing solar panels

We are installing solar panels at construction sites.

- Results: Six sites (power generation capacity: 8,480 W)
- CO₂ reduction: 2 t-CO₂
- FY2016 target: Total of 11 sites



Converting office lighting to LEDs

We are converting the lighting in our office buildings to LEDs.

- Results: 25 locations (45% of all offices)
- CO₂ reduction: 21 t-CO₂
- FY2016 target: Total of 34 locations (60% of all offices)



Holding training sessions on fuel-saving driving habits

We are holding training sessions on how to develop fuel-efficient driving habits to improve fuel efficiency for construction heavy equipment.

- Results: Sessions held at five sites around Japan
- FY2016 target: Five sites around Japan



Holding company-wide "Lights Out" events

We are holding monthly company-wide "Lights Out" events (simultaneously turning off all office lights) to help reduce global warming.

- Monthly from June 2015 to March 2016 Lights off for two hours on the specified date (20:00 to 22:00).
- Results: Reduction in power consumption: 8,948 kWh
CO₂: 4,784 kg-CO₂



Growing "green curtains"

We are growing "green curtains" (shade-producing climbing plants that cover walls and windows) to boost the efficiency (lower energy consumption) of air conditioning at construction site offices.

- Results: Reduction in power consumption: 17,324 kWh
CO₂: 9,632 kg-CO₂



Eco Site Declaration

Sites whose goal is to become a leader in advanced environmental management have adopted the slogan, Eco Site Declaration.



Environmentally Advanced Company



In offices...

Performance Befitting an Eco-First Company

◆ Biodiversity Preservation ◆



Conducting biodiversity preservation activities at construction sites

- Results: 69 site activities carried out (23% of total sites)
- We identified the activities on our own Biodiversity Assessment Checklist and conducted biodiversity preservation activities
- FY2016 target: Carried out at 120 sites



Publishing a biodiversity preservation guide

We created a guide to promote understanding among employees and on-site workers.

- Published a guide, *Biodiversity? What's That!?—Learn All About It*
- The guide introduces activities to preserve biodiversity that can be done at construction sites and in offices
- Distributed to all employees and partner companies (subcontractors)



Using certified forest products

We are proactively utilizing certified forest products (wood, paper, etc.) that take biodiversity into account.

- Copier paper certified by organizations such as the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC)
- Coffee and other agricultural products certified by the Rainforest Alliance



◆ Construction Waste Reduction ◆



Formulating rules for sorting waste

With a goal of achieving less than 3.0% of construction waste sent for final landfill disposal, we formulated our own sorting rules and put them into operation beginning in fiscal 2016.



Promoting 3R activities

We are promoting 3R activities (reduce, reuse, recycle) at construction sites around Japan.

- We designated specific 3R model sites and conducted exhaustive activities to segregate waste
- Typical mixed waste was re-sorted by hand using a sieve machine



◆ Environmental Education ◆



Promoting the Eco Test

We are encouraging employees to acquire Eco Test certification to raise their environmental awareness and level of knowledge.

- Results: 472 individuals (1,600 in total; 65% of all employees)
- FY2016 target: Total of 2,000 individuals (80% of all employees)



Source: "Eco Test Certification Qualification Ranking" from the website of the Tokyo Chamber of Commerce and Industry



Conducting environmental seminars

We are holding environmental seminars for management personnel and executives to raise their level of environmental awareness.

- Results: Total of six seminars held (for an audience of 300)
- Sharing the recognition of the importance of environmental management



Environmental Management Banners

Sites that have implemented environmental management measures are proudly displaying these banners.



N-Vision2020

I. Construction and Customers

Civil Engineering and Business

Business Summary

Number of projects completed:
96 (FY2015)

Number of engineers: 896

Numbers of licensed personnel

Professional engineers: 223

First-class civil engineering
construction management
engineers: 729



Kouchigawa Dam

Project Overview

The Kouchigawa River originates at Mt. Komagatake (elevation: 780 m) on the border between Fukui and Shiga Prefectures, and flows roughly northward through a mountainous region, joining the main channel of the Kitagawa River at Kumagawa, Wakasa-cho. It is a Class A river (government-protected waterway) running for a length of 6.4 km and draining a basin 16.3 km² in area. In the past, the Kitagawa River system has caused a great deal of flood damage, and in recent years, it has been regarded as not having an adequate level of protection against flooding, for example, the flood damage caused by Typhoon No. 23 in 2004. On the other hand, the basin area has also suffered significant damage caused by drought.

This project was launched to solve such problems. It will construct a multipurpose dam for water management (flood control along the Kitagawa and Kouchigawa Rivers, maintenance of normal river flow functions) and water utilization (water for specific irrigation use, ensuring water availability for municipal water supply and industrial applications). The project involves construction of the dam body with a target completion date of fiscal 2019.

Toward Achieving Our Vision

Over the 140 years since our foundation, we have refined our civil engineering technology on a daily basis to meet the needs of our customers. As a result, we have completed a great many extremely challenging projects and large-scale works, and we have received high marks for our technical capabilities. At the Civil Engineering & Business Headquarters, we are working to develop and introduce new technologies that live up to customer expectations. We are also helping to solve a variety of problems, including global warming, falling birthrates and an aging population, and building national resilience, and we will continue to support creating an even safer and more secure country.

Fiscal 2015 Achievements and Fiscal 2016 Action Plan

We worked actively on CSR activities at regional headquarters and branch offices, as well as each site across Japan. Even as we pursued construction work and service quality of the highest standard, product failures occurred at some sites. In the future, we will strengthen support measures by utilizing the Construction Engineering Committee to the fullest. In addition, we will conduct an analysis of failure cases and disseminate the results across the company (horizontal deployment). We will also strengthen on-site interviews to detect and resolve problem issues early on. To achieve the highest level of satisfaction for our customers, we will apply management techniques learned from public-works projects sponsored by the Ministry of Land, Infrastructure, Transport, and Tourism—for which we have received high construction performance evaluation scores—across project sites all over Japan. And we will push ahead to improve technological capabilities, reduce worker accidents, and boost the efficiency of on-site operations.

Our aggressive investment in human resources aimed at ensuring sustainability fell a bit short when it came to our goals for the percentage of employees acquiring professional qualifications. To enhance the skills of our employees, who constitute the wellspring of our technological capabilities, we are encouraging the acquisition of professional qualifications. We will also expand and improve effective support and assistance measures aimed at young employees such as training-on-demand.



○ Construction Overview

Purpose: Flood control, maintaining normal water flow functions, water for specific irrigation use, municipal water supply, industrial water supply
 Location: Kumagawa, Wakasa-cho, Mikata-kaminaka District, Fukui Prefecture
 Construction period: December 2012 to May 2019
 Scale of structure: Concrete gravity dam
 Foundation excavation: 202,850 m³
 Dam body volume: 258,000 m³
 Total reservoir capacity: 8 million m³
 Effective reservoir capacity: 7.2 million m³

CSR activities at the Kouchigawa Dam construction project

From the very start of the Kouchigawa Dam project, we have taken a community-oriented approach in managing site operations. As a member of the Kumagawa community, we have been deepening relations, for example, by participating in local events and giving full consideration to the natural environment in the construction of temporary structures.



Active participation in a local event (Ippuku Jidaimura)

The Kumagawa Ippuku Jidaimura (“Historical Village”) festival features a re-creation of an old “post station” (rest stop) used by travelers journeying on historical routes across Japan. We staffed a booth as a corporate sponsor and used an aerial work platform to offer free lifts to attendees.



Taking the local landscape into account

The area around our office is designated as a Preservation District for Groups of Traditional Buildings, and we conduct our operations giving full consideration to the local scenery and vistas. We decorated the exteriors of our office to match the specifications for wooden buildings, used decorative illuminations during nighttime hours (winter only), and planted flowers along the outer fence throughout the year.



Construction site tours

In response to local demand, we conducted site tours down into areas of the dam body where concrete was being poured, which are normally off-limits to visitors.



N-Vision2020

I. Construction and Customers Building Engineering and Business

Business Summary

Number of projects completed:
414 (FY2015)

Number of engineers: 1,013

Numbers of licensed personnel

First-class architects: 402

First-class building
operation and
management engineers:
790



Toward Achieving Our Vision

The Building Engineering & Business Headquarters makes a point to design and build products from the customer's point of view to deliver the highest level of satisfaction for all our customers.

From the construction of intelligent buildings to apartments and condominiums, we make effective use of construction engineering techniques developed in all fields as well as a wide variety of leading-edge technologies. In terms of both software and hardware, our aim is to create safe and secure urban environments with a high level of environmental performance, looking to achieve a harmonious balance among people, buildings, and nature.

Fiscal 2015 Achievements and Fiscal 2016 Action Plan

We proactively undertook CSR activities at regional headquarters and branch offices as well as project sites across Japan. We also established a department to strengthen quality control in pursuit of construction and service at the highest standards of quality. Our stance is not simply providing on-site support, but we take on a supervisor's perspective and perform double and triple checks from an independent position on whether the construction work is being executed in such a way that it correctly encompasses the design concept. In this way, we can prevent product accidents, and further, make improvements in quality.

To achieve the highest level of customer satisfaction, we set a goal to get the highest possible scores on our customer satisfaction surveys. For fiscal 2015, we were able to gain high ratings as a result of the work-site departments and sales departments working together as one. On the other hand, an issue that surfaced was that approaches and personnel structures differed depending on site managers and the region. In fiscal 2016, we will work to standardize approaches and structures so that we can operate better as an organization.

In addition, looking toward ensuring sustainability, we are encouraging employees to acquire professional qualifications as an active investment in human resources. We will also continue to put concrete support measures in place, such as doing intensive training before qualification exams and distributing previous exam problems, as well as holding practice test sessions.

We also plan to implement a variety of measures to enhance the skills of our employees who will form the wellspring of our technical capabilities in the future.

MJR Ropponmatsu New Construction

Project Overview

The site is a former campus of Kyushu University. Construction of new condominiums together with commercial facilities and a science museum, as well academic buildings for a graduate school, have been planned for the area. Comfortable green spaces are being designed and a wide variety of urban functions are being developed in this historic district.



○ Construction Overview

Construction period: March 1, 2015 to February 28, 2017
 Purpose: Condominiums (with retail space)
 Type of structure: Steel-reinforced concrete (partially steel frame)
 Scale of construction: 14 floors above ground (351 units)
 Building height: 44.69 m
 Site area: 11,200.93 m²
 Building area: 5,474.22 m²
 Total floor area: 43,647.86 m²

The Ropponmatsu construction site office tackled a variety of activities

① Community and Society

In an effort to make the site more open to the community, we turned the temporary site enclosure into an art gallery to display paintings by local elementary school students. In addition, we put up decorative lighting coordinated with Christmas events sponsored by the local town planning council. This also served as a measure to deter nighttime crime and attracted favorable comments.



Elementary school art gallery (on the temporary site enclosure)



Lighting serving the local community

② Employment and Human Rights

We organized an all-female work team called LJR (Ladies Joy Ropponmatsu) and have been working to develop work environments where women find it comfortable and pleasant to work.

- In August 2015, we organized site tours for female elementary and junior high school students and sponsored by the Japan Federation of Construction Contractors, Inc. (Nikkenren).
- In December 2015, we conducted a tour of the site for female engineers in the construction industry who are members of Nikkenren.
- In September 2015 and February 2016, we offered a one-day internship program.



Women engineers in the construction industry visiting the site



Elementary school children taking a tour



Enhancing and expanding diversity, and making it visible

③ Environment

As a model site for environmental management solutions, we worked on a variety of activities to reduce CO₂ emissions. With the goal of achieving zero emissions, we came up with a series of innovative ideas.

- Adopt LED lighting
- Use BDF in heavy construction equipment
- Install solar panels
- Grow "green curtains" (shade-producing climbing plants)
- Reduce industrial waste (adopt aluminum molds, half precast concrete floor slabs, etc.)
- Multi-stage waste separation using sieve machines
- Regular training sessions on how to separate industrial waste



Banners



Multi-stage waste separation

N-Vision2020

I. Construction and Customers Development and Real Estate



Sendai City Arai Nishi Land Readjustment Project

Project Overview

This land readjustment project covers an area of 46.8 hectares and is situated in a district approximately 5 km east of Sendai Station. We are serving as the project development agent and are pushing ahead toward a completion target of fiscal 2018. The residential lots in this district have been designated for transfer to people impacted by the Great East Japan Earthquake, and will play a role in the restoration and reconstruction of the eastern part of the Sendai region.



Toward Achieving Our Vision

The aim of the Development & Real Estate Headquarters is to make a contribution to regional revitalization and development, safety and security, and reduction in environmental impacts. We will accomplish this goal by creating a high-value-added business based on development projects (redevelopment, land readjustment, PPP/PFI) and the real estate business, ranging from rental property and real estate development to sales of subdivision lots.

Going forward, the Nishimatsu Construction Group will be working to proactively develop a complete-package business that provides comprehensive development solutions, covering everything from project planning to construction, operational management, and maintenance. We will push ahead to build attractive, accessible urban environments to meet the needs of local communities and society as a whole.

Fiscal 2015 Achievements and Fiscal 2016 Action Plan

The goal of the Development & Real Estate Headquarters is to contribute to the local community and society through urban development projects.

In fiscal 2015, we launched five new projects intended to contribute to the community, including the Takaoka Station East District Building Complex Development Project (Takaoka City, Toyama Prefecture). We will continue our efforts in fiscal 2016 to put together proposals and promote projects, and will aim to create viable new commercial projects.

In addition, we have been conducting satisfaction surveys aimed at tenants who are leasing office space in our properties. We have also been working to improve the quality of our services such as converting lighting in communal areas to LEDs with the aim of achieving the highest possible level of customer satisfaction.

N-Vision2020

I. Construction and Customers International Business

Construction of East-West Transmission Cable Tunnel Section 3

Project Overview

The East-West Transmission Cable Tunnel Project will construct an underground tunnel for ultra-high-voltage power transmission cables to be put in place in anticipation of future growth in demand for electrical power in Singapore. SP Power Assets Ltd. handles the management of facilities for power transmission on behalf of Singapore Power and has contracted with Nishimatsu Construction to work on the third section of this tunnel, designated "EW3." The EW3 section is 5.5 km in length and is located at the easternmost end of the East-West Cable Tunnel. This segment will be constructed with a finished inner diameter of 6 m using two shield tunnel boring machines (TBMs). At present, we are advancing toward completion in April 2017. We are in the process of constructing the tunnel itself and installing ancillary equipment in the finished tunnel (troughs, cable brackets, runway beams) as well as building mechanical and electrical equipment facilities.



TBMs 1 and 2 reaching the May vertical shaft

Toward Achieving Our Vision

In Hong Kong, where our international business activities originated, we had the opportunity to work on constructing a large dam in 1962. Since then, we have been involved in a wide variety of projects, including power plants, a new airport, and high-rise apartment buildings, and in recent years, we have been advancing projects centered on subway construction.

In Thailand, we established a local corporate entity in 1963 and have been continually active with a focus on designing and constructing manufacturing facilities for Japanese companies. We have been involved in Singapore since 1984, and have received contracts for projects such as major tunnels and high-rise buildings, and at present, we are working on electrical power infrastructure and subway construction projects. In Malaysia and Vietnam, we have worked on official development assistance (ODA) projects, and in recent years, we have been focusing on infrastructure development and factory construction for Japanese companies. In addition, we set up a joint venture in Laos in 2015 and have begun to provide a full range of services to meet the demands of Japanese companies whose market presence has been growing in recent years.

We will continue to promote business development that takes full advantage of our experience and technological capabilities.

Fiscal 2015 Achievements and Fiscal 2016 Action Plan

We conducted technology workshops and on-site inspections in pursuit of construction and service quality of the highest level. To improve safety and quality, experienced trainers from Japan traveled to overseas sites and worked to bring up the level of skill based on know-how gained in Japan. In fiscal 2016, we will continue to produce documentation for operational standards and hold construction technology workshops.

To achieve consistency with systems in Japan, we made significant revisions to regulations for working overseas with the intention of building a transparent overseas salary system and improving the work environment. For the salary system, we introduced a purchasing-power compensation system that is unaffected by fluctuations in prices and exchange rates in the country where an employee is posted. This system compensates employees at a level equivalent to the standard of living in Japan. Also, we revamped things such as allowances and vacations and created a fair, rational system to enable employees who work abroad and their families to live comfortably in peace of mind. In fiscal 2016, we will work to inform employees regarding revisions to the system, which will lead to the development of human resources capable of playing an active role overseas.

N-Vision2020 II. Safety and Health



Toward Achieving Our Vision

N-Vision2020, our vision of who we want to be in the year 2020, includes achieving zero occupational accidents, as well as resolving the issue of long working hours and achieving a comfortable workplace. We regard every working person supporting our business activities, including our own employees and those of our partner companies, as valued assets that we cannot do without. We will continue to develop a safe and secure work environment, as well as respond to risk reduction for the safety of our customers.

Fiscal 2015 Achievements and Fiscal 2016 Goals

We worked on a wide variety of concrete health and safety activities, but failed to reduce the number of accidents. Fiscal 2015 showed a slight increase in the number of accidents. The accidents were caused by human error resulting from carelessness and lack of experience. It is presumed that the shortage of experienced workers, as well as the growing age of workers and increase in the number of beginners led to a decline in reliably following safety instructions and rules compared to before. Also, accidents due to administrative factors were likely to have occurred, and we consider building a health and safety management system centered on site foremen to be our highest priority issue.

We will continue to concentrate our efforts on three items as key control points in the future: 1) preventing slips and falls, 2) eliminating human error, and 3) thorough documentation for operating procedures and work plans. For facilities found to be unsafe during daily on-site inspections and patrols, or for job tasks for which no operating procedure documentation or work plans exist, our basic policy is to suspend the use of the facility or completely halt the job task, and cease work until a correction can be confirmed. We are also promoting seven measures aimed at preventing human error that could lead to accidents: on-site HAT (hazard awareness training), personal HAT, calling out to fellow workers, the 3-3-3 method (for slinging operations), reporting on employment of older workers and giving them due consideration, reporting on near misses, and "point and call" safety check routines.

We will promote health and safety activities more strongly than ever before to prevent occupational accidents.

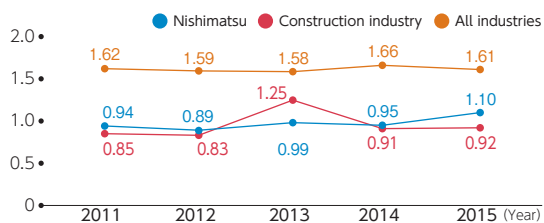


Occupational Health and Safety Management System

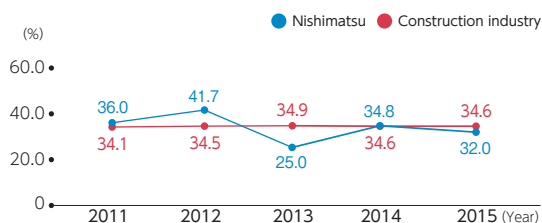
Our occupational health and safety management system operates in accordance with Japan's COHSMS (Construction Occupational Health and Safety Management Systems). We are transitioning away from the conventional reactive approach of trying to prevent an accident from recurring after it has happened to a safety management approach that removes potential causes of accidents in advance. Our aim is to continuously improve health and safety management standards by applying the PDCA cycle of plan (P), do (D), check (inspect and verify) (C), and act (improve) (A).



●Accident frequency rate



●Percentage of accidents due to falls from a height



Note: Nishimatsu figures are compiled from summary data from April to March. The number of occupational accidents for Nishimatsu is calculated based on workplace absences of four or more days.

Safety Management at Overseas Sites

What is common practice in Japan tends not be thought of as applicable overseas. However, basic approaches to safety management are not much different from Japan.

With the exception of some developing countries, laws falling under Japan's Industrial Safety and Health Act and other regulations have for the most part been put in place. Nevertheless, there are considerable disparities in safety awareness among individual workers. In particular, with respect to laborers of multiple nationalities working on construction sites, there are language barriers, and it is extremely difficult to maintain a certain level of knowledge, awareness, and moral standards among workers.

Consequently, ensuring compliance with safety regulations is a major safety management issue, and site supervisors in a variety of countries struggle with it on a daily basis.

That said, in August 2015, we accumulated a record six million continuous accident-free hours in construction

work on the Honda Automobile (Thailand) Co., Ltd. (HATC) plant, and were awarded the Princess Sirindhorn Safety Award in recognition of our efforts toward a safe working environment. In addition, by the end of March 2016, we had achieved three million working hours with zero deaths or accidents requiring four or more days absence from work in our cable tunnel construction project in Singapore.

By improving safety seminars and employee training and by expanding Japan's best practices abroad, we are aiming to eliminate accidents and hazardous incidents around the world.



Receiving the Princess Sirindhorn Safety Award

Work-Life Balance (Program Expansion)

We are actively creating workplace environments where all employees can demonstrate their abilities to the fullest with peace of mind. As part of measures to achieve this, beginning in January 2016, we improved and enhanced our system for supporting a work-life balance. By working to expand this system beyond what is required by law, the choices of work style for employees facing childcare or nursing care have broadened significantly. The main changes are shown at the right.

In addition, in order to reduce working hours, an issue that needs to be addressed to enable a diverse range of work styles, we will deploy effective policies nationwide by advancing initiatives at monitoring sites

around Japan. These include encouraging employees to take substitute days off and operating on a flexible work schedule based on management-by-objective.

- ① Parental leave period: One year ▶ Two years
- ② Reduced working hours for childcare:
Until the child turns 4 years old ▶ When the child completes 3rd year of elementary school
- ③ Sick/injured childcare leave:
When child enters elementary school ▶ When the child finishes elementary school
- ④ Changes to the system to make it easier to be granted family nursing/caregiving leave

Recipient of a Minister of Health, Labor, and Welfare commendation for outstanding achievement in occupational safety

I won this award in recognition of saving valuable human life during an emergency at our construction site for a final disposal site. As a regular practice, I maintain safety consciousness and stay aware in order to complete job tasks without accidents. I would like to help keep construction projects free of accidents and hazardous incidents by boosting my awareness for accident prevention and bringing the utmost attentiveness and clear-eyed judgment to project sites.



Haga Branch Office, Kanto Civil Engineering Regional Headquarters **Hiroki Mineo**

N-Vision2020

III. Employment and Human Rights



Toward Achieving Our Vision

For the vision of the kind of company we hope to be in 2020, we set two goals—investing vigorously in human resources to ensure sustainability, and increasing employee satisfaction in order to retain personnel. For vigorous investment in human resources, we are taking proactive steps such as implementing plans to nurture the next generation of leaders and offering career development planning for each and every employee. In addition, to improve skills and abilities, we are encouraging employees to acquire professional qualifications. We will also be expanding and enhancing various support measures by promoting diversity and revamping work rules with the aim of retaining valuable personnel.

Fiscal 2015 Achievements and Fiscal 2016 Goals

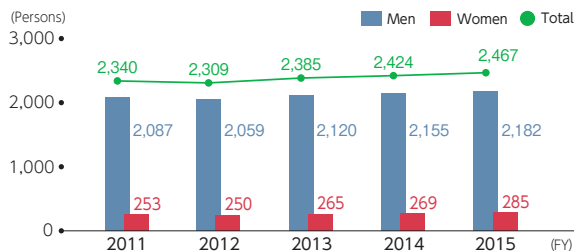
In fiscal 2015, in May, we disseminated the President's Message to promote understanding and awareness of diversity. In addition, we implemented new training programs for fostering the next generation of leaders. At the same time, some problems became evident, including the need to give greater visibility to the skills of employees and enhance systems intended to raise the skill level of employees.

The goal for fiscal 2016 is to support efforts inside and outside the company aimed at increasing the number of qualified personnel. We are studying the introduction of a system that can manage skill-training programs, employee evaluations, and a self-certification system as an integrated suite. We will also work on various measures to provide a platform to enable female employees to continue to work.

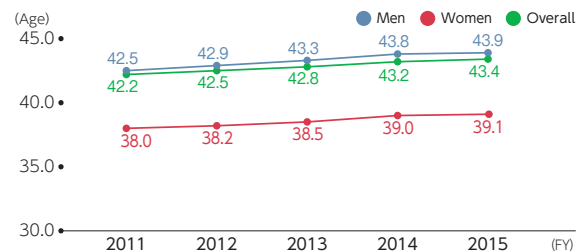
We will actively expand our efforts to create an environment where all employees can demonstrate their potential to the fullest and work with peace of mind.

Employee Status

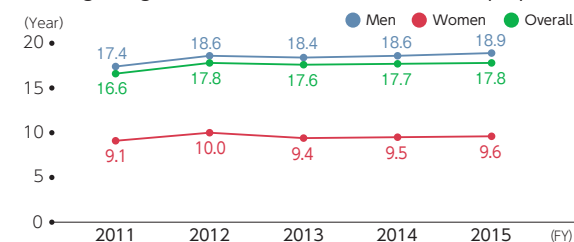
● Number of employees by gender



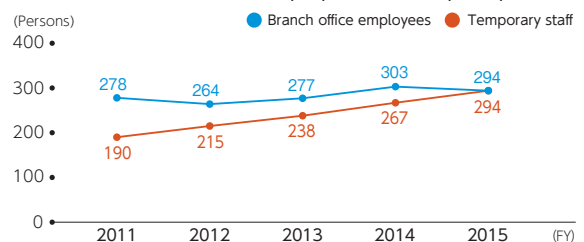
● Average age of male and female employees



● Average length of service of male and female employees



● Number of branch office employees and temporary staff



Note: Branch office employees are employed in a branch office unit and are fixed-term employees limited to a specific region.

Human Resource Development

As part of our basic policy reaffirming that the power of our company lies in its human resources, we offer a variety of training programs categorized according to career level and objective. To ensure sustainable development under this policy, we are nurturing personnel capable of responding flexibly to change by empowering individuals to think about what they should be doing now and in the future and to be strongly motivated to put their ideas into action.

Training Differentiated by Career Level

We are implementing training programs at all career levels that enable employees to experience and learn the requirements of a role (desired skills) determined in accordance with the employee's stage of growth, or to master business skills and gain leadership experience that cannot be acquired in the course of normal operational activities. As a new initiative introduced beginning in fiscal 2015, we conducted training to raise skill levels of the next generation of leaders who are in the preparation phase as they move to assume management-level positions. In addition, for positions at the department-head level, we undertook senior management training aimed at raising awareness and bringing up points of view to a level above what they have had over the years. We will further improve our current training system by providing educational opportunities at new career levels. We believe this will make it possible to train personnel on an ongoing basis who have a management perspective and are capable of meeting challenges.

Technical Training

Beginning with new hires at the time of joining the company, and continuing with 2nd-, 4th-, and 6th-year employees, we are implementing ongoing technical training that also serves to confirm the degree of attainment for basic knowledge and professional skills. This ensures employees in their 10th year have a certain level of technical skills.

Professional Qualification Training

Among the qualifications necessary for working in the construction industry, professional certification as a first-class architect is essential for employees in architecture-related departments. So as a measure to support acquiring this certification, we are conducting a training program (academic content plus technical drawing) incorporating tie-ups with educational institutions and intensive courses held in a training-camp format.

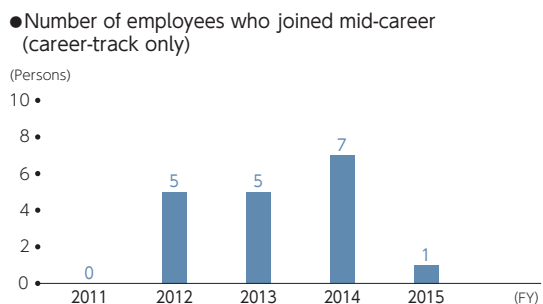
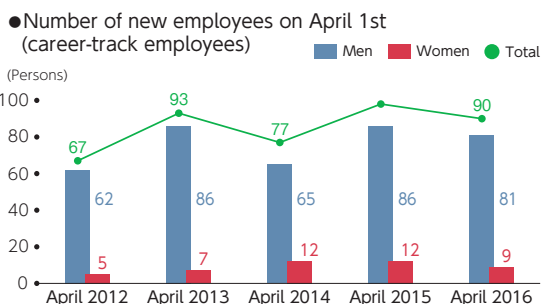
Without growth in our employees, there will be no growth in the company. By continually constructing a mechanism for personnel development according to future changes in the environment and in the market, we believe it is possible to continually improve the capabilities of our employees and to develop our company.

●Fiscal 2015 training results (career-level-specific training program)

Training title	Category	Participant count	Duration
New employee training	Career-level-specific	100	10 days
Introductory management training (newly appointed: SV2)	Career-level-specific	48	4 days
Intermediate management training (newly appointed: SV1)	Career-level-specific	46	4 days
Skill level enhancement training (SV1, 3rd year)	Career-level-specific	63	3 days
Senior management training (new managers) ①	Career-level-specific	52	4 days
Senior management training (new managers) ②	Career-level-specific	58	4 days
Senior management training	Career-level-specific	23	2 days
New employee technical training	Technical	100	53 days
Civil engineering training, 2nd year	Technical	29	5 days
Architectural training, 2nd year	Technical	32	10 days
Civil engineering training, 6th year	Technical	9	5 days
Architectural training, 4th and 6th year	Technical	44	10 days
First-class architect training (academic courses)	Qualification	16	9 days
First-class architect training (technical drawing)	Qualification	27	6 days

Note: Duration for new employee technical training will vary depending on job category.

Employment



▮Becoming a true first-class architect

In December 2015, I gained my long-sought certification as a first-class architect. Because of the challenging qualification exam, I thought it would take me years to pass. But thanks to the support of my boss and co-workers that included allowing me to participate in a six-day in-house drafting training course and setting up an environment in which I could study intensively, I was able to pass. Although with this certification, I can write "first-class architect" as my professional title, there has been no immediate change in my duties. What I really felt inside was that, at last, I am standing at the starting line. I will continue to learn each day to improve my skills and make it possible to acquire new qualifications so that I can lead architectural design at Nishimatsu Construction.



Design Section, Architectural Design Department, West Japan Regional Headquarters **Kyohei Nio**

Measures to Combat Harassment

We are proactively working on measures to combat harassment in order to create an environment in which a diverse range of personnel can actively participate on a continuing basis.

Regarding sexual harassment, we published a Declaration on Preventing Sexual Harassment in April 1999; and regarding power harassment, we have an ongoing

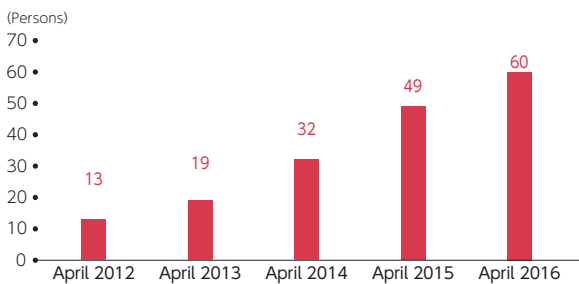
commitment to enhance understanding of the concept and raise awareness of ways to prevent it. These efforts take place in training programs tailored to career level that include newly appointed managers, and in longitudinal training that involves employees of various ages and job specialties.

Diversity

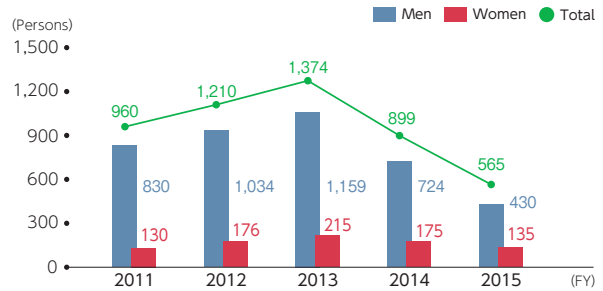
In our Medium-Term Management Plan 2017, promoting diversity was designated as a priority measure, and we have been actively working to create a workplace where not only women, but a diverse range of personnel can work free from worry or concern. In May 2015, we established the Diversity Promotion Section, a dedicated section within the Human Resources Department, and we are continuing to implement efforts aimed at diversity, including reforming our corporate culture, improving existing systems and building new ones to support a work-life balance, as well as maintaining a comfortable

workplace environment. In addition, we expanded job categories and worked to invigorate a system of promotion to career track positions. As a result, the number of female employees who took advantage of the system and who were promoted to career track management positions has doubled in two years. In the future, we plan to continue actively developing initiatives to promote participation by older individuals, the disabled, and foreigners.

●Number of career-track female employees



●Number of overseas local staff



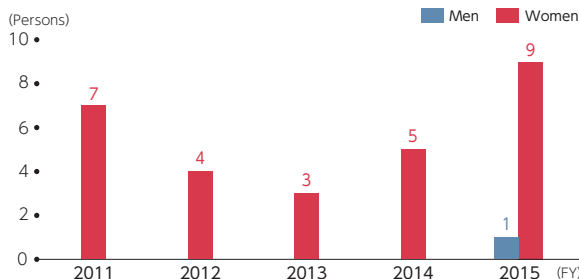
Note: Figures represent numbers employed at the end of each fiscal year. Some local staff are not included in these figures due to their type of employment contract.

Promoting the Role of Women in the Workplace

Under our action plan related to the Act on Promotion of Women's Participation and Advancement in the Workplace, which went into effect in Japan in April 2016, we declared the three objectives shown at the right. We will undertake initiatives to achieve them based on a five-year plan.

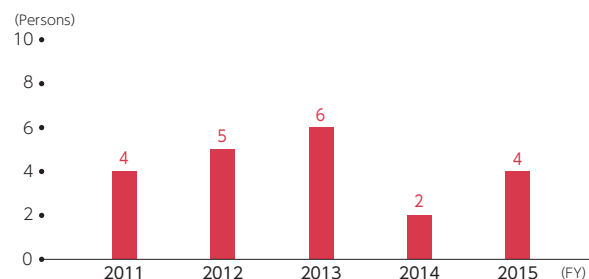
- ① Percentage of women among new hires of at least 20%.
- ② Number of years of continuous employment for female employees increased to 1.5 times the fiscal 2015 figures.
- ③ Average number of overtime hours worked by all employees less than 45 hours per month.

●Number of users of the childcare leave system



Note: Number of users in each fiscal year.

●Number of users of the reduced work hour system



Note: Number of users in each fiscal year. Users were all women.

Employee Welfare

We have been conducting an ongoing review of the functions of company housing and residences for unmarried employees. Priorities include providing comfortable living environments, environmental friendliness, ensuring safety and security, and being of service to the community. In September 2014, we completed interior and exterior renovations along with seismic reinforcement of the Mutsumi Company Housing (in Kanagawa Prefecture). In March 2016,

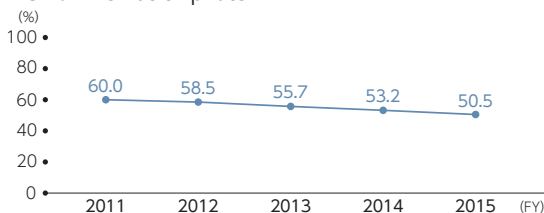
we completed reconstruction of company housing and dormitories in Warabi, Saitama Prefecture. In addition to earthquake-proofing the structure, we installed equipment to provide a source of electrical power when a disaster occurs. It is also stocked with drinking water and food to be able to serve as a temporary shelter for members of the local community in the aftermath of a disaster. Emergency toilets and a water well for use during a disaster are also in place.

Labor-Management Dialogue

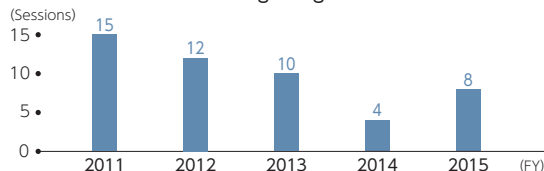
The Nishimatsu Construction Employee Union comprises non-supervisory employees and serves as the designated organization for labor-management dialogues. With an agenda focused on wages and work conditions, these discussions include collective bargaining and informal labor-management talks. Discussions are held on a regular basis between union representatives and company executives.

In light of the Japanese government's promotion of work style reforms, major changes are anticipated in the environment surrounding labor and management. To maintain win-win relationships between labor and management, we will continue to respond to changes in the environment through both parties' cooperation.

● Union membership rate



● Number of collective bargaining sessions



● Internships

Regional Headquarters	Participant count
Northern Japan	33
Kanto Civil Engineering	63
Kanto Architectural	84
West Japan	52
Kyushu	50
Total	282

Site tours held 4 times for 124 students



Accepting internships

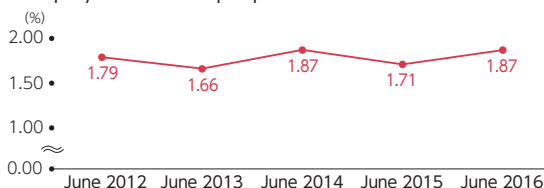
Internships

We accept college students for one-week to one-month internships as part of their university studies. To prevent employment mismatches after recruits join the company, we are also implementing short-term internships to provide participants with a clearer picture of what the work entails.

Employment of People with Disabilities

As of June 2016, people with disabilities made up 1.87% of our workforce. Despite an improvement over last year, we failed to reach our target of 2.0%. We will continue to work toward achieving our target by recruiting new employees, including individuals with mental disorders.

● Employment rate of people with disabilities



Note: Figures are taken from our report to a relevant government authority made in June each year.

An opportunity for personal growth through child care

I would have never imagined myself taking childcare leave while caring for my parents. With the understanding and cooperation of my workplace, I was able to take childcare leave that lasted from the birth to age two months. The days that I spent with my son, who did nothing but cry, and with his sleep-deprived mother were great first steps as a father. I didn't mind bustling around changing diapers, giving baths, and doing all the housework because they were all for my son. The way it is now, you can't really say that the workplace environment is set up for an employee to take childcare leave. But, in the future, I expect that, by fostering employee awareness and further enhancing systems to support a work-life balance, it will become easier for employees to take childcare leave. By actively participating in the care of my child, I hope to grow as a parent.



Senior Manager, Civil Engineering Sales Department 2, Head Office **Tetsuo Hirasawa**



Corporate Governance

Toward Achieving Our Vision

We will continue to strengthen corporate governance to respond to the increased confidence placed in us by all our stakeholders. We will enhance corporate governance and promote CSR management respecting all people.

Fiscal 2015 Achievements and Fiscal 2016 Goals

In fiscal 2015, we took steps to put the Corporate Governance Code established by the Tokyo Stock Exchange into practice in an appropriate manner. As a result, we were able to achieve a certain degree of success as described in our report, *Efforts Related to the Corporate Governance Code*, released in June 2016. In addition, at the 79th Ordinary General Meeting of Shareholders held on June 29, 2016, we instituted new mechanisms for corporate governance such as making the transition from a company with an audit and supervisory board to a company with an audit and supervisory committee.

In fiscal 2016, we will make effective use of this new system of a company with an audit and supervisory committee and will strive to further enhance and improve our corporate governance.

Board of Directors

Representative Director and President	Harusada Kondo	Director	Uichi Mizuguchi	(Audit and Supervisory Committee member)
Representative Director	Akira Maeda	External Director	Koji Mino	(Audit and Supervisory Committee member)
Director	Makoto Isshiki	External Director	Kiyomi Kikuchi	(Audit and Supervisory Committee member)
Director	Yoshiyuki Sawai	External Director	Jun Ikeda	(Audit and Supervisory Committee member)
Director	Nobutoshi Takase			
Director	Akira Matsumoto			
Director	Yuichi Kono			

Executive Officers

CEO and President	Harusada Kondo	General Manager, Building Engineering & Business Headquarters; in charge of safety, environment, and quality
Executive Vice President	Akira Maeda	General Manager, Civil Engineering & Business Headquarters
Senior Managing Officer	Makoto Isshiki	General Manager, North Japan Regional Headquarters
Senior Managing Officer	Yoshiaki Kudo	General Manager, Development Business & Real Estate Headquarters
Managing Officer	Yoshiyuki Sawai	General Manager, Kanto Architectural Regional Headquarters
Managing Officer	Nobutoshi Takase	General Manager, International Division
Managing Officer	Akira Matsumoto	General Manager, Management Headquarters; in charge of IR
Managing Officer	Yuichi Kono	General Manager, Safety, Environment & Quality Headquarters
Managing Officer	Akimitsu Takashima	General Manager, Kanto Civil Engineering Regional Headquarters
Managing Officer	Hiroo Morimoto	General Manager, West Japan Regional Headquarters
Managing Officer	Shozo Sakai	Deputy General Manager, Building Engineering & Business Headquarters
Executive Officer	Shigeru Tokura	Deputy General Manager, West Japan Regional Headquarters
Executive Officer	Hideo Kaneko	Deputy General Manager, International Division
Executive Officer	Junichiro Saito	Deputy General Manager, Civil Engineering & Business Headquarters; General Manager, Civil Engineering Planning Department
Executive Officer	Kazunari Umeda	Deputy General Manager, Development Business & Real Estate Headquarters; General Manager, Development Department 1
Executive Officer	Jun Morita	Deputy General Manager, International Division
Executive Officer	Jiro Goto	Deputy General Manager, International Division
Executive Officer	Kensuke Hayashi	Deputy General Manager, Civil Engineering & Business Headquarters; General Manager, Technical Research Institute
Executive Officer	Katsuya Iwanaga	General Manager, Kyushu Regional Headquarters
Executive Officer	Fumihide Miyazaki	General Manager, Office of the President
Executive Officer	Osamu Shibui	Deputy General Manager, Civil Engineering & Business Headquarters; General Manager, Civil Engineering Project Department
Executive Officer	Tatsuya Hagiwara	Deputy General Manager, Building Engineering & Business Headquarters; General Manager, Building Project Department;
Executive Officer	Kazutoyo Hamada	General Manager, Building Department

Basic Philosophy Regarding Corporate Governance

To nurture sustainable growth and enhance our medium- to long-term corporate value, we have adopted a basic policy of improving and expanding corporate governance, and maintaining long-term, stable, and harmonious relationships between the company and our stakeholders. Based on this policy, we will put in place a system that speeds up and strengthens the decision-making and supervisory functions of the Board of Directors, as well as reinforces our operational and business execution system.

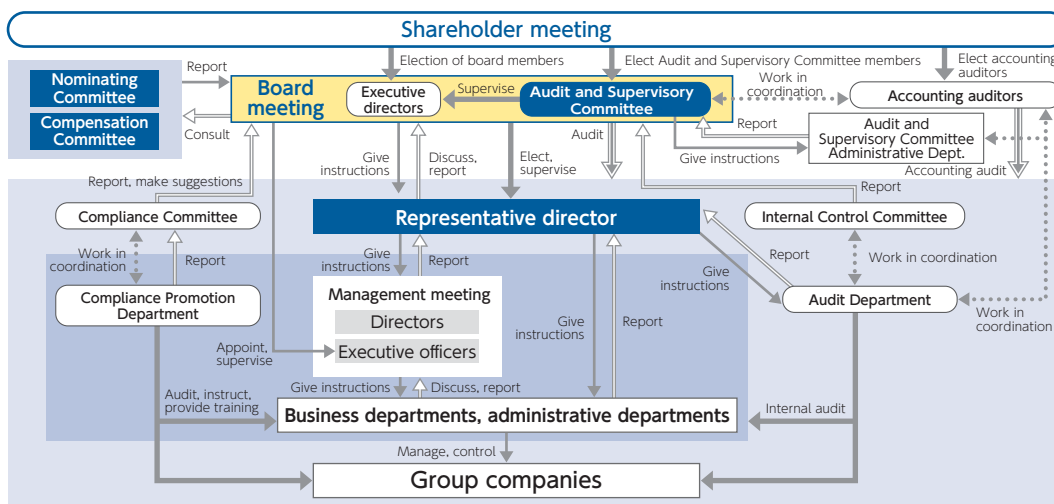
In addition, we have defined a mission statement, corporate philosophy, and code of conduct, and our employees are putting these into practice. We are also tackling five CSR management issues under our CSR Management Policy, and we will contribute to society by building win-win relationships with all of our stakeholders.

Corporate Governance System

With the goal of increasing the proportion of external directors on the Board of Directors and strengthening management oversight functions, we have moved—as mentioned previously—from a company with an audit and supervisory board to a company with an audit and supervisory committee.

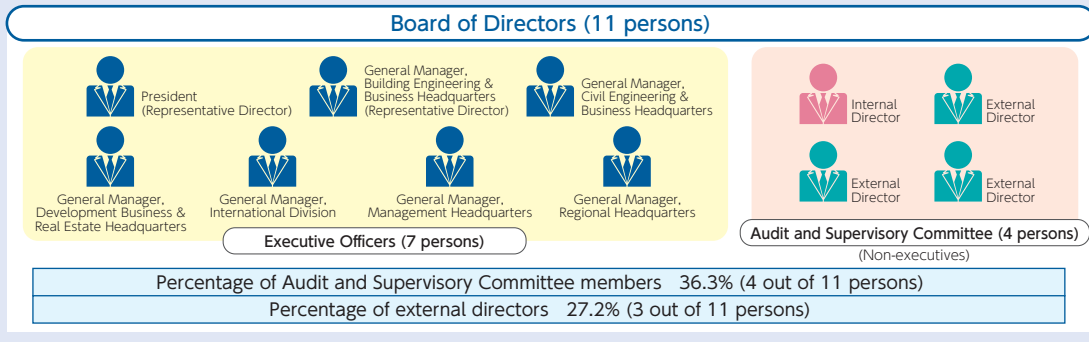
In addition, by introducing the executive officer system, we are accelerating management-related decision-making of the Board of Directors and strengthening the operational and business execution system.

● Corporate governance system



Features of a Company with an Audit and Supervisory Committee

Because Audit and Supervisory Committee members are directors, they enjoy voting rights on the Board of Directors. As a result, it enables them to be directly involved, if necessary, in appointing members of the Board of Directors based on the results of an audit by the Audit and Supervisory Committee. In addition, they have the right to voice their opinions at the General Meeting of Shareholders in regard to the nomination and remuneration of directors other than those on the Audit and Supervisory Committee. Supervisory functions are further strengthened by this system.



Board of Directors

Our Board of Directors is composed of eleven members: seven executive directors who serve concurrently as executive officers, and four who are Audit and Supervisory Committee members (three of whom are external board members). As a general rule, the Board of Directors meets once a month and on dates when the quarterly financial results are announced. Extraordinary board meetings are held when appropriate and necessary. In addition, to encourage turnover and prevent the lengthy tenure of members of the Board, we have a mandatory retirement system for all executive directors.

Audit and Supervisory Committee

The Audit and Supervisory Committee comprises four board members, three of whom are external board members. Also, in addition to appointing a director to serve full-time as a member of the Audit and Supervisory Committee from within the company, we are working to strengthen the audit system by deploying full-time staff to provide administrative support to the committee. To ensure the effectiveness of directives issued by the committee, this staff is building a framework for cooperation with each department regarding the research and information gathering necessary for audits. The Audit and Supervisory Committee regularly exchanges views on managerial and auditing issues with executive directors, and is working to deepen mutual awareness and understanding.

Management Meeting

We established the Management Meeting to provide consultation related to execution of business activities, as well as to discuss and report on matters put before the Board of Directors. We are working to improve the speed and appropriateness of management decisions made by the Board.

Nominating Committee and Compensation Committee

To contribute to building an appropriate management structure, we have instituted a Nominating Committee as an advisory committee to the Board regarding the nomination of the executive directors and executive officers.

To ensure transparency and objectivity regarding compensation decisions for executive directors and executive officers, we have also instituted a Compensation Committee that functions as an advisory body to the Board. Both committees are composed of five members each, including one executive director plus four board members who are also members of the Audit and Supervisory Committee (three of whom are external directors). These committees are chaired by external directors.

●Roles of external directors (as of June 30, 2016)

Name	Month and year of appointment	Reason for selection, and important positions held at other companies	Independent Director/Auditor, Tokyo Stock Exchange (TSE)	Attendance at 2015 Board meetings
Koji Mino	June 2015	Appointed for his wealth of experience gained at the Development Bank of Japan and for his broad spectrum of insights cultivated as a director and auditor at other companies. As an external director and member of the Audit and Supervisory Committee, he will appropriately audit and supervise overall management with an objective point of view. Important concurrent positions: Corporate auditor, Jalec Co., Ltd.	○	100%
Kiyomi Kikuchi	June 2015	Appointed for her professional knowledge as a practicing attorney and her experience working at financial institutions. As an external director and member of the Audit and Supervisory Committee, she will appropriately audit and supervise overall management with an objective point of view. Important concurrent positions: Partner, TMI Associates; external auditor, Nissay Asset Management; external auditor, Gecoss Corp.	○	100%
Jun Ikeda	June 2016	Appointed for his wealth of experience gained at Mitsubishi Corp. as well as for his broad spectrum of insights developed as president of one of its subsidiaries. As an external director and member of the Audit and Supervisory Committee, he will appropriately audit and supervise overall management with an objective point of view. Important concurrent positions: External director, Soda Nikka Co., Ltd.	○	—

●Attendance rate of external board members at board meetings and Audit and Supervisory Board meetings (fiscal 2015)

	Number of meetings held	Attendance rate of external board members
Board of Directors meetings	18	94.4%
Audit and Supervisory Board meetings*1	17	97.1%

*1: Because fiscal 2015 was prior to the transition from an Audit and Supervisory Board to an Audit and Supervisory Committee, we have indicated the attendance rate for the Audit and Supervisory Board.

●Board members' remuneration (fiscal 2015)

Classification	Number of board members receiving remuneration	Total amount of remuneration
Board of Directors*1	12	245 million yen
Statutory Auditors*2	4	49 million yen

*1: Number of board members receiving remuneration includes three directors who retired in June 2016.

*2: Because fiscal 2015 was prior to the transition from an Audit and Supervisory Board to an Audit and Supervisory Committee, we have indicated remuneration for Statutory Auditors.

Management with a civic consciousness that lives up to the confidence stakeholders have placed in us

Since being appointed an external director at the shareholder meeting held at the end of June 2015, I have been attending board meetings and the Management Meeting and doing site visits. I sense that permeating the company, from top management to work sites, is an attitude of openly and constructively making the actual situation known even to external directors as well as widely seeking feedback. Looking in from the outside, I would like to continue to monitor and cooperate, always with a civic consciousness, with the company without being bound by the conventional rules of this company or our industry. The source of our profit lies at the work site. And a forthrightly sincere response to stakeholders, particularly to business partners, is a strength that has been cultivated over our 140-year history. In addition, I believe that an open corporate culture that welcomes frank exchanges of views within the company is vitally important for the thorough implementation of corporate governance and the company's survival and development.



We must implement our medium-term management plan without fail in order to enhance corporate value and earn the trust of society in this highly challenging business environment. To do so, I believe it is essential that each of us have a sense of involvement, and that, together, we study diligently each day and make sure that we steadily perform and improve our operational tasks. My desire is, while maintaining my independence, to fulfill my duties to contribute toward the continued strengthening of corporate governance.

Career Summary

- March 2001 Appointed director at the Development Bank of Japan
- June 2003 Appointed director at the Japan Economic Research Institute
- April 2011 Appointed to the board of directors of Institute of Educational Environment Co., Ltd.
- May 2013 Appointed corporate auditor at Jalec Co., Ltd. (current position)
- June 2015 Appointed external director at Nishimatsu Construction (current position)

External Director, Nishimatsu Construction Co., Ltd. **Koji Mino**

Effective corporate governance and the role of employees

In Japan, in 2015, said to be the year that ushered in corporate governance, corporate scandals continued, and 2016 shows no sign of a significant decline. Reflecting on our past, we have not only improved governance functions, but since June 2016, we have also been working to build a comparatively advanced corporate governance system, for example, transitioning to a company overseen by an Audit and Supervisory Committee. However, attempting to build such a framework makes no sense if it fails in its substance to function on the practical level.

In the first place, profit in a company should be generated as a result of the lawful and proper execution of business operations, and a company grows by returning this profit in a well-balanced way to various stakeholders. Corporate governance constitutes a mechanism for monitoring and overseeing on behalf of shareholders as to whether the management team entrusted with management of the business by shareholders is fulfilling this fundamental mission of a company, and whether they are conducting business in a proper manner. Under such circumstances, external directors, standing apart from the company, have the responsibility to monitor and supervise the management team by judging and evaluating the validity and reasonableness of business-related decisions and their implementation. I will strive to the best of my ability to present to the Board of Directors decisions and evaluations made with a fair and impartial eye.

That said, it is also a fact that oversight and supervision by external directors has limits, and for governance to truly function, the understanding and cooperation of individual employees is essential. It is my desire that, each and every employee of Nishimatsu Construction have an accurate understanding of the nature of corporate governance and recognize on a personal level that they are important stakeholders of the company. I also want them to do their day-to-day duties with a strong sense of ethics, take an interest in the management of the company and make it their own, and raise objections when necessary. In addition, I believe that doing so will contribute to "aggressive" (not only "defensive") governance and growth of the company.



Career Summary

- January 2011 Attorney-at-law and partner at TMI Associates law firm (current position)
- June 2015 Appointed external director, Nishimatsu Construction (current position)
- March 2016 Appointed external auditor, Nissay Asset Management Corporation (current position)
- June 2016 Appointed external auditor, Gecoss Corporation (current position)

External Director, Nishimatsu Construction Co., Ltd. **Kiyomi Kikuchi**

Risk Management

Toward Achieving Our Vision

We will strive to minimize losses and ensure sustainable growth by properly managing risk in the Nishimatsu Construction Group. Accurately grasping the nature of various risks surrounding our business activities will also enable us to develop appropriate responses to emergencies and unexpected problems.

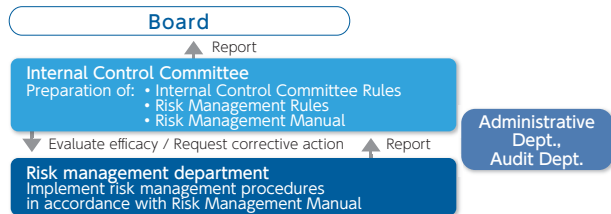
Fiscal 2015 Achievements and Fiscal 2016 Goals

The Internal Control Committee convenes each fiscal quarter, stipulating which departments are responsible for managing individual risk items, preparing risk management measures, evaluating efficacy of risk management in company operations, ordering corrective action, reporting to the Board of Directors, and ensuring that the PDCA cycle is being implemented in risk management. To avoid damage from information leaks, the Internal Control Committee formulated relevant rules and led training so that employees follow these rules. It also held training and drills based on Nishimatsu's business continuity plan (BCP) to ensure the company continues to conduct business as usual in the event of disasters or other crises. We will continue to hold training sessions and workshops for employees with the aim of raising awareness of our BCP.

Implementing Company-Wide Risk Management System

Each fiscal quarter, the Audit Department conducted risk assessments and held hearings with departments, which are responsible for individual risks to verify these assessments. The Internal Control Committee has then confirmed and, if necessary, defined risk levels and revised risk evaluation standards. We did everything possible to implement measures against potential risk and conducted thorough risk management to decrease the possibility of risk and reduce the effect such risk has on operations.

● Risk management system



Information Security

We strive to maintain and enhance our information security by periodically revising our Information Security Management Rules and Insider Trading Regulations. We have ongoing new-recruit training, career-level-specific training, and e-learning sessions to boost awareness of information security among employees. We also undertake aggressive measures to prevent information leaks from cyber attacks that have become increasingly sophisticated in recent years and enable in-house systems to operate safely and securely. We also have a monitoring system for malware communications on internal networks and are strengthening the security of our e-mail system.

Business Continuity Plan (BCP)

In June 2015, we revised our BCP Manual and in October, it was certified as complying with the *Procedures to Evaluate Basic Capabilities of Construction Companies to Continue Business in the Event of a Disaster* established by the Kanto Regional Development Bureau. In training drills, we conducted checks to confirm the safety of all employees. We also set up disaster task forces at the Head Office, regional headquarters, and branch offices, and using the multi-channel access (MCA) radio system, issued reports on the set-up situation and status of employee safety checks. As a new initiative, we held seminars taught by outside instructors on our BCP to provide basic knowledge during training for new employees.



Drill to set up a disaster task force



Seminar on BCP for new employees

Compliance

Toward Achieving Our Vision

Getting back to where the "New Nishimatsu" began, our aim is to further improve compliance awareness and ensure that it permeates throughout the company. Our goal is to be a compliance-focused company capable of meeting the expectations and demands of all stakeholders.

Fiscal 2015 Achievements and Fiscal 2016 Goals

In our Medium-Term Management Plan, we set a goal of zero harassment. On top of existing in-house training, we also held training sessions for all employees conducted by outside instructors on preventing power harassment. In addition, with the aim of deterring instances of fraud or similar misdeeds in the workplace, we have been conducting new practical training incorporating the Fraud Triangle Theory. The number of reports made on power harassment has leveled off. Our analysis shows that this is partly because a raised awareness of the whistleblower system and a heightened sense of reporting among employees have led to appropriately dealing with such problems before they come to the fore. Nevertheless, we will aim for zero harassment and apply even greater energy to solve such issues by making ongoing training a mainstay of our efforts.

●Basic compliance policy

Making Compliance a Priority Leads to Company Growth

Compliance is the philosophy, ethical principle, and mission of complying with laws, regulations, and the like.

- Act with courage. Unless you change here and now, you will surely not change in the future.
- Act politely. What you find unpleasant, others find more unpleasant.
- Act with a just heart. If you lose your heart even for a moment, the company will be lost in an instant.

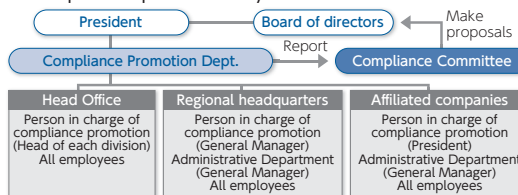


Compliance card

Compliance Promotion System

In 2009, we established our Compliance Committee, which fulfills functions such as resolving complex problems and making proposals and recommendations related to compliance at meetings of the Board of Directors. In addition, the heads of each division at the Head Office, the general managers at each regional headquarters, and the presidents of affiliated companies have been appointed as the persons in charge of compliance under the Compliance Promotion Department. We are working to publicize and raise awareness about compliance, with the Compliance Promotion Department serving as the administrative department of the committee and making reports to the committee on compliance-related matters.

●Compliance promotion system



Compliance Awareness Survey

We conducted a compliance awareness survey for the first time in four years. Under the survey guidelines, to achieve a score of 1.0 requires roughly 80% or more affirmative answers. We will continue to strengthen our efforts to be able to achieve our goals ahead of schedule.

	2011	2015	N-Vision goal
Overall evaluation	1.09	1.15	1.2 or higher
Awareness of use of whistleblowing	0.59	0.79	1.0 or higher
Evaluation of training	0.58	0.93	1.0 or higher

Publishing a Manual for Compliance in Practice

We produced a Manual for Compliance in Practice, the main themes of which are the laws, regulations, and ethical issues that an employee is likely to face in real work situations. This manual is based on interviews with Nishimatsu employees and helps them make proper judgments and take appropriate action when faced with compliance issues. In fiscal 2015, we added points regarding the Subcontract Act. In addition, we also created an International Manual for Compliance in Practice to serve as a cornerstone for dealings overseas, where laws and customs are different; this manual is being used in offices overseas.

Compliance Training

In group training, we implement interactive training that employs a group discussion format with specific workplace examples as the subject matter. In addition, we disseminate monthly e-learning lessons, and use a quiz format to raise awareness of revisions to laws and regulations, internal rules and controls, and various manuals. We then conduct comprehension tests and analyze the results.

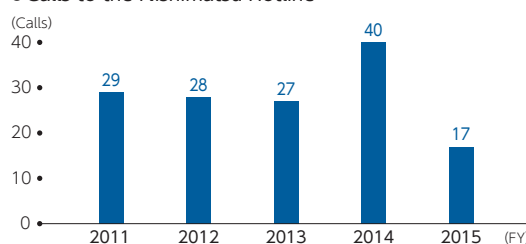
●Fiscal 2015 compliance training results

Training title	Participant count
Training for officers and managers (February)	398 (including video conference participants)
Longitudinal training for Head Office, regional headquarters, and branch office employees (August to September)	360
Training by career level for new hires and newly appointed managers (April to October)	304
Power harassment prevention training by outside instructors (April to July) (only those held in fiscal 2015)	295
Compliance e-learning (July to March)	Total of 17,797 (average attendance rate: 73.6%)
Compliance e-learning comprehension test (May)	2,293 (average score: 88.2 points)

Whistleblower System

We set up the Nishimatsu Hotline with the purpose of improving our corporate culture and preventing employees from committing illegal acts. In addition, beginning in fiscal 2015, we set up a Workplace Hotline contracted to a specialized organization outside the company to provide a new counseling service enabling employees to easily seek advice about mental anxiety or human relations in the workplace.

●Calls to the Nishimatsu Hotline



N-Vision2020 V. Environment



Nishimatsu's Environmental Policies

We will endeavor to maintain and improve our environmental management system and work toward achieving our environmental objectives in an effort to attain N-Vision2020 based on our CSR management policy.

- I. Redoubling our efforts to be an environmentally friendly company
 - i) We will continuously upgrade our systems based on environmental considerations.
 - ii) We will actively promote environmental activities to local communities and society.
 - iii) We will engage in activities aimed at environmental conservation and reducing environmental impact.
 - Preventing global warming
 - Effectively utilizing resources and energy
 - Preventing air, soil, and water pollution
 - Reducing the generation of construction by-products, and recycling
 - Conserving biological diversity
 - Reducing the generation of vibration, noise, and dust
 - iv) We will observe environmental laws and regulations as well as social demands, and we will act in accordance with societal values.
 - v) We will promote education to raise and share an awareness of environmental conservation among all personnel.
- II. Operating our environmental solutions business
 - i) We will develop and promote environmental technologies and encourage their application.
 - ii) We will promote our designs in consideration of the global and local environment, and propose them to society.

Established
in July 2, 2012

Toward Achieving Our Vision

In fiscal 2015, we formulated a medium-term environmental management plan to achieve the three visions of undertaking efforts toward becoming an environmentally advanced company, establishing the foundations to maintain environmental compliance and ensuring a permanent legacy, and actively engaging in the environmental solutions business. Since then, we have been vigorously pushing forward with initiatives focusing on reducing CO₂ in our business activities, preserving biodiversity, and promoting 3R (reduce, reuse, recycle) activities for construction waste.

Summary of Fiscal 2015 Activities

Efforts toward becoming an environmentally advanced company

- We pursued activities to reduce CO₂ emissions in construction work such as installing LED temporary lighting, actively using energy-efficient construction machinery, encouraging fuel-saving driving habits when operating construction machinery, using biodiesel fuel (BDF), and installing solar panels.
- To reduce the percentage of construction waste sent for final landfill disposal, we coordinated with our subcontractors and industrial waste disposal companies to implement thorough waste separation.
- We promoted conservation activities at construction sites across Japan based on our own Biodiversity Assessment Checklist. We also produced a companion guide to the Biodiversity Assessment Checklist aimed at improving awareness and knowledge of biodiversity preservation in our business activities.

Establishing the foundations to maintain environmental compliance and ensuring a permanent legacy

- We held in-house training sessions on environmental compliance, centered on Japan's Waste Management Act.
- We formulated our own construction waste sorting rules based on activities at model sites.
- We introduced and promoted e-Manifests that aid in environmental compliance.

Actively engaging in the environmental solutions business

- Our Technical Research Institute developed a number of new technologies, including low-carbon concrete, "energy-halving" building design, and systems to measure and control vibration in construction work.
- We applied building designs intended to cut energy use in half in our own development projects, and established this "energy-halving" building design technology as a milestone on the path to developing zero-energy buildings (ZEB).

Environmental Management

Nishimatsu Green Way—Environmental Achievements in Fiscal 2015 and Targets for Fiscal 2016

Nishimatsu Green Way

Beginning in fiscal 2016, we will organize and manage all our environmental policies under our Nishimatsu Green Way concept with the goal of achieving our Medium-Term Management Plan and Eco-First Commitment.

Environmental policies	Environmental targets	Target index	FY2015		FY2016	FY2017	FY2020	
			Results	Achievement rate				
Prevent global warming	Reduce CO ₂ emissions from construction	CO ₂ emissions from construction per unit of construction sales (t-CO ₂ /100 million yen)	Civil engineering	66.8 t-CO ₂ /100 million yen (target: 51.2)	△	59.9 t-CO ₂ /100 million yen	52.9 t-CO ₂ /100 million yen	31.9 t-CO ₂ /100 million yen
			Building construction	11.1 t-CO ₂ /100 million yen (target: 12.8)	◎	10.5 t-CO ₂ /100 million yen	9.9 t-CO ₂ /100 million yen	8.1 t-CO ₂ /100 million yen
			Overall	31.8 t-CO ₂ /100 million yen (target: 27.3)	△	28.4 t-CO ₂ /100 million yen	25.3 t-CO ₂ /100 million yen	16.6 t-CO ₂ /100 million yen
	Reduce CO ₂ emissions from office operations	CO ₂ emissions in offices (t-CO ₂)	1,747 t-CO ₂ (no target)	◎	1% reduction compared to FY2015 to 1,729 t-CO ₂	2% reduction compared to FY2015 to 1,712 t-CO ₂	5% reduction compared to FY2015 to 1,659 t-CO ₂	
Preserve biodiversity	Preserve biodiversity during construction work	Number of sites complying with items listed on the Biodiversity Assessment Checklist	23% of total sites (70 sites) (target: 60 sites)	◎	40% of total sites (120 sites)	60% of total sites (180 sites)	100% of total sites (300 sites)	
	Raise awareness of biodiversity	Number of biodiversity preservation activities carried out (other than on-site activities)	4 activities (target: 1)	◎	Total of at least 6	Total of at least 8	Total of at least 10	
Reduce the generation of construction by-products, and recycle	Zero construction waste	Final landfill disposal rate for construction waste(1) Ratio of amount of final landfill disposal (t) to amount of construction by-products (t)	3.1% (target: 7%)	◎	3.0% or less	3.0% or less	No more than 3%	
Comply with environmental laws and regulations	Promote efficient treatment of waste	Rate of e-Manifest introduction Ratio of number of e-Manifest routes to total number of manifest routes	94% (target: 92%)	◎	95%	96%	100%	
Promote environment-conscious designs and propose them to the community	Implement environment-conscious designs	Environmental consideration implementation rate Ratio of number of environmental considerations implemented(2) to number of possible environmental considerations(3)	100% (target: 100%)	◎	At least 100%	At least 100%	At least 100%	
		Environment-conscious design rate Ratio of number of environment-conscious designs to number of possible environment-conscious designs(4)	72.7% (target: 65%)	◎	75%	(Target set according to building application based on new standards)	(Target set according to building application based on new standards)	
Promote environmental education and improve environmental awareness among all staff, and share that awareness with others (including Nishimatsu Group companies)	Improve environmental awareness and knowledge among all staff	Number of voluntary environmental activities undertaken (except biodiversity preservation)	2 activities (target: 1)	◎	Total of 3	Total of 4	Total of 6	
		Number of employees who passed the Eco Test	Total of 1,634 people (target: 1,600 in total)	◎	Total of 2,000 people	Total of 2,100 people	Total of 2,300 people	
		Number of outside environmental awards won/certifications acquired	1 (target: 1)	◎	Total of 2	Total of 3	Total of 6	
	Personnel training for environmental compliance	Number of in-house environmental classes given by environmental managers	1 at Head Office and each regional headquarters	◎	1 at Head Office and each regional headquarters	1 at Head Office and each regional headquarters	1 at Head Office and each regional headquarters	
			1 or more at Head Office and each regional headquarters	◎	1 or more at Head Office and each regional headquarters	1 or more at Head Office and each regional headquarters	Draw up plans for implementation based on results in previous years	
Improve and expand system to promote environmental awareness	Coordinated efforts across the entire Nishimatsu Group	Current status	Held discussions with Group companies regarding cooperation in environmental management. Participated in the Environmental Committee. Determined targets for next fiscal year's environmental activities (specific measures) for each company.	◎	Set environmental goals and implement activities at each of four Nishimatsu group companies (newly established).	Reduce the number of items not addressed in activities of the Group as a whole by 50% compared to FY2014	Reduce the number of items not addressed in activities of the Group as a whole by 100% compared to FY2014	

◎ = Achieved (100%) ○ = Mostly achieved (achievement of 90% or more) △ = Not achieved

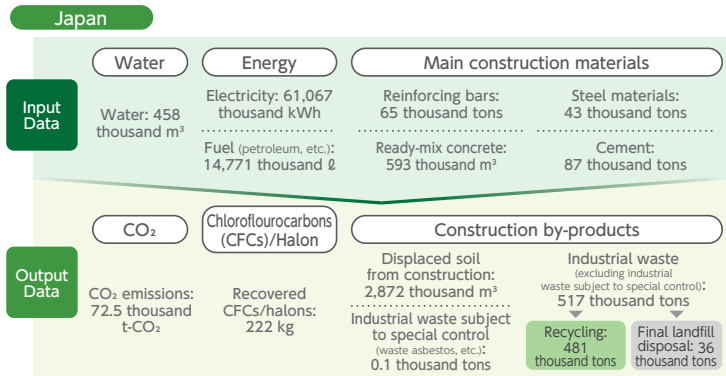
Notes:

- (1) Excluding construction sludge, industrial waste subject to special control, asbestos-containing building material, etc.
- (2) Number of environmental considerations implemented out of those operational activities in which it is possible to be environmentally conscious.
- (3) Number of possible environmentally conscious designs among projects compatible with MS.
- (4) Number of designs judged to be environmentally conscious (based on the Checklist for Environmentally Conscious Design (revised in fiscal 2015)).

Material Balance

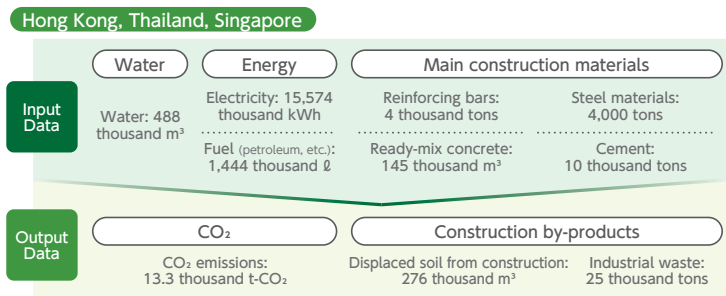
Environmental impact data from the Nishimatsu Group in Japan

At the right, the upper diagram shows the environmental impact generated by the Nishimatsu Group's domestic operations during fiscal 2015 expressed as a material flow. The burden on the environment is shown by separating the flow into inputs (consumption of resources such as electricity, water, and construction materials) and outputs (i.e., emissions such as CO₂ and waste materials).



Environmental impact data from international operations

The lower diagram on the right divides the environmental burden from our international operations in fiscal 2015 into inputs (consumption of resources such as electricity, water, and construction materials) and outputs (emissions such as CO₂ and waste materials). The compiled data also covers offices and construction sites in Hong Kong, Thailand, and Singapore.



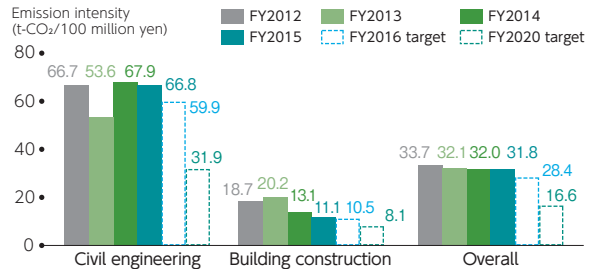
Environmental Performance by Activity

Efforts to Reduce CO₂ Emissions

CO₂ emissions from domestic construction activity

In fiscal 2015, annual CO₂ emission intensities from our construction activities in Japan were 66.8 t-CO₂/100 million yen for civil engineering and 11.1 t-CO₂/100 million yen for building construction. Our targets were 51.2 t-CO₂/100 million yen for civil engineering and 12.8 t-CO₂/100 million yen for building construction. The amount of CO₂ emitted from civil engineering work was large, and we failed to achieve our target for this sector. It should also be noted that, in calculating CO₂ emissions, the number of sites sampled was increased to 62 (representing 20% of all sites, 43% on a sales revenue basis), resulting in improved accuracy of the data.

CO₂ emissions from construction activities in fiscal 2015



Notes:
 • These measurements are based on a methodology outlined in *Investigation of CO₂ Emissions* by the Global Warming Countermeasures Subcommittee of the Japan Federation of Construction Contractors.
 • CO₂ emissions from construction sites are based on sampling surveys (62 sites, representing approximately 20% of all sites).

Specifying sources of CO₂ emissions in construction activity

In civil engineering work, CO₂ emission intensities were remarkably high in tunnel, dam, and land development projects. Emission sources common to these include consumption of diesel fuel for heavy construction equipment and electricity to power construction machinery, both of which were used over long periods and in large amounts. Diesel fuel accounted for roughly 55% and electricity about 42% of CO₂ emissions in all civil engineering activities. In building construction, as a result of keeping close track of CO₂ emission intensities by application and by type of structure, no significant trends were evident. At the same time, depending on the stage of construction, consumption of diesel fuel and electric power increased as a project progressed, and thus, so did CO₂ emissions. We found that CO₂ emissions resulting from diesel fuel consumption were higher from the middle stage of a project up to its completion.

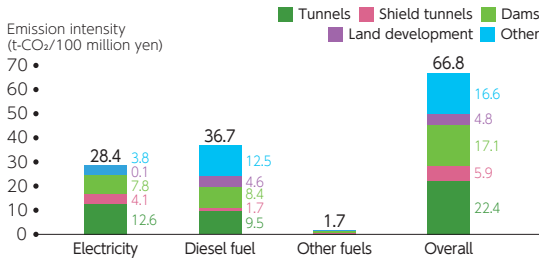
CO₂ emission intensity by type of civil engineering project

Project type	CO ₂ emission intensity (t-CO ₂ /100 million yen)
Tunnels	84.4
Shield tunnels	37.2
Dams	75.1
Land development	61.0
Other	61.7

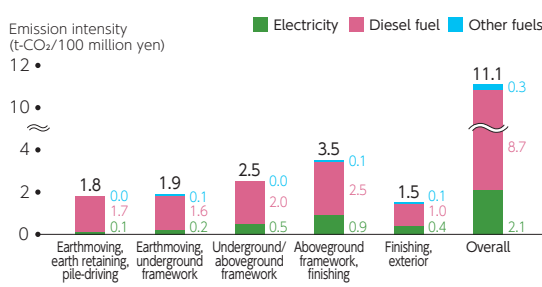
CO₂ emission intensity by application and type of building in building construction work

By type of application	By type of structure	CO ₂ emission intensity (t-CO ₂ /100 million yen)
Large projects (offices, commercial, apartments/condominiums, etc.)	RC/SRC construction	13.2
	Steel-frame construction	9.5
Small projects (logistics facilities, factories, warehouses, etc.)	RC/SRC construction	9.4
	Steel-frame construction	9.9

● Civil Engineering: CO₂ emission intensity by source of energy by type of project



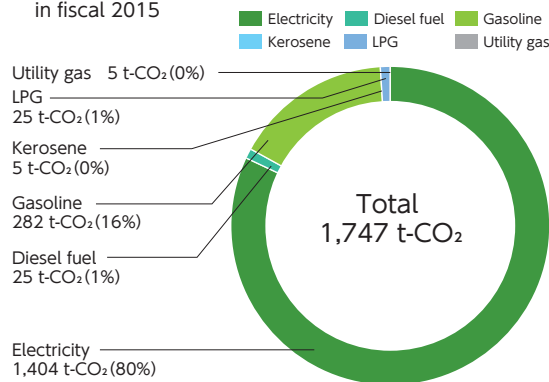
● Building Construction: CO₂ emission intensity by source of energy by stage of construction



CO₂ emissions from offices, etc., other than construction work

CO₂ emissions from sources other than construction work such as the operation of offices and the like were 1,747 t-CO₂ as a result of the temporary relocation of the Head Office (moved into a new building in fiscal 2014) and the effect of installing LED lighting. It should be noted that installation of LED lighting in offices that we own was nearly complete by the end of fiscal 2015, and we will continue in fiscal 2016, focusing on leased properties.

● CO₂ emissions generated by office operations in fiscal 2015



Scope 3

Scope 3 CO₂ emissions (indirect emissions that occur in the value chain, including both upstream and downstream emissions) from Nishimatsu's business activities in Japan in fiscal 2015 are listed in the table below.

Category	Scope of calculation	Fiscal 2015 actual value (t-CO ₂)
1. Purchased products, services	• Emissions (during all processes from resource extraction up until the manufacturing stage) from the known amount of major materials (reinforcing bar, concrete, cement, H beams, steel pipe piles, steel sheet piles, steel beams) purchased by Nishimatsu	461,815
2. Capital goods	• Emissions generated from the construction, manufacturing, and transport of capital goods purchased or acquired by Nishimatsu (capital goods calculated are buildings, vehicles, and machinery held as fixed assets according to financial accounting)	36,831
3. Fuel- and energy-related activities not included in scope 1 and scope 2	• Upstream emissions in the manufacturing process of electricity purchased by Nishimatsu (not including fuel)	2,117
4. Transport, transmission (upstream)	• Emissions from distribution (during transport from place of purchase to construction site) of major materials purchased by Nishimatsu	10,871
5. Waste materials from business	• Among waste materials (not including those sold for profit) from Nishimatsu business activities, emissions from the waste and the processing of waste not directly from Nishimatsu, and emissions related to the transportation of waste materials	44,908
6. Business trips	• Emissions from fuel and electricity consumption of modes of transportation used by Nishimatsu employees for business trips, and emissions from fuel and electricity consumption at lodgings used (includes only business trips in Japan)	2,001
7. Commuting to work	• Emissions from fuel and electricity consumption of modes of transportation used by Nishimatsu employees commuting to work (not including employees of Nishimatsu partner companies commuting to Nishimatsu site offices)	771
11. Use of products sold	• Among emissions from the use of buildings constructed by Nishimatsu, emissions were calculated for CO ₂ emissions from energy consumed by building equipment. The calculation follows methods of the Building Design Committee of the Japan Federation of Construction Contractors. (The assumed service period is 30 years for houses, retail buildings, and restaurants, and 60 years for all other buildings.)	2,260,522
12. Waste from products sold	• The amount of waste from buildings constructed by Nishimatsu, and emissions related to processing that waste (major materials purchased by Nishimatsu: reinforcing bar, concrete, cement, H beams, steel pipe piles, steel sheet piles, steel beams), is assumed to be the amount of "products sold," and a calculation is made for how much of this amount will become waste in future and how much will need to be processed.	101,495
13. Leased assets	• Emissions from the operation of leased assets (as of March 2016), both those owned by Nishimatsu as the lessor and those leased from other companies.	21,777
		Total 2,943,108

CO₂ emissions by Nishimatsu Group companies in Japan

CO₂ emissions by consolidated Nishimatsu subsidiaries during fiscal 2015 are as follows.

Company name	Primary business	CO ₂ emissions	Principal source of CO ₂
Nishimatsu-Jisho Co., Ltd.	Real estate management, insurance agency	33.74 t-CO ₂	Electricity for office operations
Sci Tech Farm Co., Ltd.	Vegetable production at indoor plant factory	672.91 t-CO ₂	Electricity to power LED lighting used to grow vegetables in an indoor production facility

Biodiversity Preservation Activities

In fiscal 2015, we took proactive steps at 69 construction sites around Japan to reduce environmental impacts on flora and fauna in the vicinity. We worked to protect rare animals and plants inhabiting the immediate area (such as peregrine falcons, the Japanese nutmeg yew, Japanese rugosa rose, fireflies, Japanese wild ginger, fluvial Japanese eight-barbel loach [a species of freshwater river fish], and the northern goshawk). In addition, beyond activities at construction sites, we held biodiversity preservation events along with environmental education for our employees, including nature walks and tree-planting activities.



Transplanting Japanese rugosa roses



Tree-planting activities by the West Japan Regional Headquarters



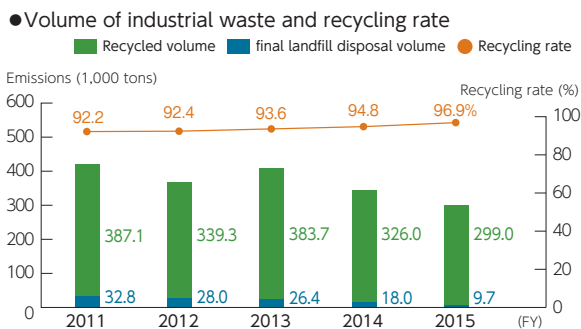
Nature walks sponsored by the Head Office

Waste Reduction Activities

In fiscal 2015, in an effort to improve the recycling rate for construction waste in our Japanese domestic activities, we focused on a thorough separation and sorting program. As a result, the percentage sent for final landfill disposal (excluding construction sludge, industrial waste subject to special control, etc.) fell to 3.1%, significantly below the 5.2% in fiscal 2014. In fiscal 2016, based on new sorting

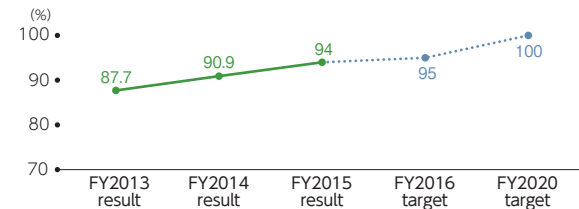
rules, we will further strengthen efforts to improve the recycling rate with a goal of a final landfill disposal rate of 3% or less.

We are also pushing ahead with the introduction of an e-Manifest system, which facilitates the efficient use of resources, compliance with the Waste Management Act, and a reduction in workloads. In fiscal 2015, thanks to steady promotion activities, the adoption rate for this system reached 94%, exceeding the level of last year. Looking to further raise the rate to an industry-leading level, we will work toward a 95% adoption rate in fiscal 2016.



Note: Starting in fiscal 2015, we adopted the percentage sent for final landfill disposal as an indicator of our management objectives. This figure does not include construction sludge and industrial waste subject to special control. Consequently, data published for fiscal 2015 and beyond for industrial waste and the recycling thereof will differ from data published before 2015 (since the latter figures include construction sludge and industrial waste subject to special control).

● Results and targets for introduction of e-Manifests



TOPICS Activities by Nishimatsu Eco People

Employees who have successfully passed the Eco Test (Certification Test for Environmental Specialists) receive the designation of "Nishimatsu Eco People," and are energetically participating in volunteer environmental activities. In 2015, Nishimatsu Eco People representatives from across Japan contributed a wide variety of ideas, and developed and planned environmental events such as indoor greening activities and "local production for local consumption" promotions. They undertook a variety of innovative, creative activities in which employees played a central role at locations such as the Head Office, regional headquarters, branch offices, and construction sites.



Indoor greening places potted plants on individual desks



Local production for local consumption—encouraging eating local specialties at company parties

Environmental Accounting

Nishimatsu has developed its own set of environmental accounting parameters to track the costs of environmental measures, as well as the economic benefits and environmental conservation benefits associated with them. These parameters reflect the basic concepts set forth in the Environmental Accounting Guidelines published by the Japanese Ministry of the Environment.

	Cost	Economic benefit	Environmental conservation benefit
Environmental measures	2,946 million yen	26 million yen	CO ₂ reduction: 1,872.39 t-CO ₂ Electricity consumption reduction: 2,936,541 kWh; gasoline consumption reduction: 105,993 ℓ; diesel fuel consumption reduction: 11,841 ℓ
Industrial waste management	3,194 million yen	—	Percentage of construction waste sent for final landfill disposal: 3.14%
External assistance	2 million yen	—	
Environmental PR	12 million yen	—	
Environmental education	7 million yen	—	Eco Test certification: About 1,600 people in total
Research & development	168 million yen	—	
Administrative (excluding personnel expenses)	14 million yen	—	
Total	6,342 million yen		

Green Procurement

Nishimatsu is promoting the purchase of environmentally friendly (“green”) products and services based on the Green Purchasing Guidelines of the Ministry of Land, Infrastructure, Transport, and Tourism in Japan.

●Fiscal 2016 top 10 civil engineering green procurement items

Item	Quantity
Blast-furnace slag cement	70,224 t
Fly-ash cement	17,108 t
Recycled aggregate, etc. (recycled crushed stone)	75,677 m ³
Mud-reducing soil-cement continuous column wall construction method	1,647 m ³
Recycled hot asphalt mix	20,605 t
EAF steel (recycled steel)	939 t
Shotcrete with fly ash	1,600 m ³
Construction method to effectively use low-quality soil	8,630 m ³
Method to recycle construction sludge	3,590 m ³
Steelmaking slag for ground stabilization	7,543 m ³

Note: Purchasing costs for the 10 items listed above account for approximately 95% of total green procurement costs.

●Fiscal 2016 top 10 building construction green procurement items

Item	Quantity
Insulated sashes and doors (insulated doors and windows)	13,013 m ²
Deck plates	263,256 m ²
LED lighting	13,532 units
Electric air-cooled modular heat-pump air conditioners	457 units
Lath formwork	34,927 m ²
Insulation material	56,643 m ²
EAF steel (recycled steel)	1,192 t
Western-style toilets (water-saving models)	665 units
Rooftop greening	4,492 m ²
Vinyl flooring	18,999 m ²

Note: Purchasing costs for the 10 items listed above account for approximately 85% of total green procurement costs.

Environmental Solutions Technologies Developed in Fiscal 2015

VOC-contaminated water purification technology using microbubbles

As a technique for purifying industrial wastewater and groundwater contaminated with volatile organic compounds (VOCs), we developed a new aeration treatment device using “microbubbles” (less than 1 mm in diameter) offering greater efficiency than conventional aeration processes. This new device efficiently decomposes and eliminates VOCs dissolved in wastewater using microscopic bubbles generated by a micro/nanoporous ceramic film. It has been confirmed as having a powerful treatment effect in experiments using actual VOC-contaminated water. We will continue development with the aim of commercializing the treatment system, including verifying long-term stability and durability.

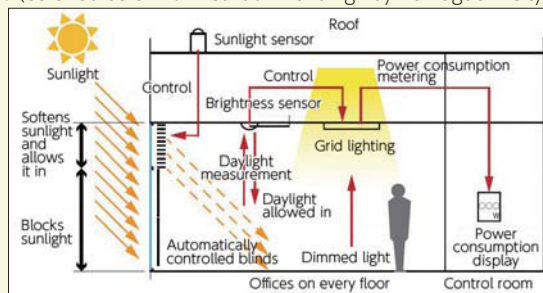


Microbubble generator

Low-carbon buildings

As a low-carbon building initiative, we developed and exhaustively applied environmentally friendly design in the reconstruction of our company housing (Kawaguchi City, Saitama Prefecture). This resulted in a reduction in primary energy consumption during building use by about 30% (certified as a “Low Carbon Building” by Kawaguchi City).

Our own development projects have achieved environmental performance equivalent to CASBEE (Comprehensive Assessment System for Built Environment Efficiency) rank S by actively taking advantage of natural ventilation, natural lighting, and renewable energy such as solar heat. In trial designs of small- to medium-sized office buildings, we realized a building design with an energy consumption 50% of that of typical existing buildings (“energy-halving” buildings).



Schematic diagram showing advantageous use of daylight

N-Vision2020

VI. Local Communities and Society



Toward Achieving Our Vision

Our vision for the kind of company we hope to be in 2020 encompasses these two points: taking an active part in society as a corporate citizen and making contributions by capitalizing on business skills. Based on a philosophy of always feeling gratitude toward the community and society and striving for constructive exchanges, our goal is to achieve a society where people can live in harmony by creating connections between people formed through community service activities.

Fiscal 2015 Achievements and Fiscal 2016 Goals

We called for employees to participate in constructive community service activities and undertook activities in a variety of places, including overseas. In looking back over activities in fiscal 2015, we uncovered several issues, such as the fact that deploying activities across Japan in cooperation with N-NET (Nishimatsu subcontractor's association) is still a work in progress, and that we were slow in getting information out about community service activities carried out within the company. In fiscal 2016, we will implement community service activities with a greater focus on the community than ever before, as well as undertake more activities in cooperation with N-NET. In addition, we will send out information on a regular basis, which will lead to the active participation of employees. In undertaking worthwhile community service activities, our aim is to enhance corporate value by interacting with a wide range of stakeholders.

Japan Case Study ① Completion of Company Housing and Dormitories

In September 2014, the old employee dormitories and residential housing units at Warabi, Saitama Prefecture, were earmarked for reconstruction, and in March 2016, the new Warabi Company Housing and Dormitories were completed. At the time of rebuilding, local residents pointed out that the neighborhood was home to clusters of wooden houses. We heard requests that they wanted to see a building constructed that would benefit the community in times of disaster. And so we made a building that not only plays a role as a facility to house our employees and their families, but also one that serves the local community.



Warabi Company Housing and Dormitories



Explaining to nearby residents how to set up an emergency manhole toilet (toilet seat and cover placed over a sewer manhole for temporary use following a disaster)

Aiming for a building that serves the community

Design and construction of the new Warabi Company Housing and Dormitories was based on four concepts: ensuring safety and security, eco-mindedness, a comfortable living environment, and being of service to the community. The building is highly resistant to earthquakes thanks to its seismic base isolation system. And installing movable panels to protect against storm water incursion and arranging major electrical equipment on the second and fifth floors makes it resistant to flooding damage. In addition, it is equipped with emergency manhole toilets and a water well. A special disaster preparedness storage space is stocked with drinking water and food. These enable the building to serve as a temporary evacuation shelter for members of the local community in the aftermath of a disaster. The completion of construction work does not mark the end of the story of the Warabi Company Housing and Dormitories. My hope is that, by our employees and their families living in it, this building will again come to hold a special place in the history of the company and the community.

Operations Manager, Warabi Field Office, Kanto Architectural Regional Headquarters **Takashi Fujita**



Japan Case Study ② Setting Up the Nishimatsu Construction Community Development Fund

We established the Nishimatsu Construction Community Development Fund to provide support and assistance to Natori City, Miyagi Prefecture, in the wake of the Great East Japan Earthquake. Benefits provided by this fund include covering the cost of organizing courses to enable town planning leaders to gain needed perspective and knowledge, costs for organizing courses on how to discover regional resources for advancing reconstruction, and financing for community development activities by residents. Through this fund, we are contributing to the revitalization of the Natori City community.



Course funded through a grant from the Nishimatsu Construction Community Development Fund

Japan Case Study ③ Supporting the Kasumigaseki Children's Study Tour

The Kasumigaseki Children's Study Tour was held in July 2015. Kasumigaseki is a district in Tokyo where many government offices are located. This annual event takes place during summer break, and it is jointly organized by ministries and agencies within the Japanese government, including the Ministry of Land, Infrastructure, Transport, and Tourism (MLIT), to give children a deeper understanding of the workings of government. Nishimatsu Construction cooperated in the event by letting children experience operating an excavator and riding an aerial work platform. Through this event, we are highlighting the appeal of the construction industry to children.



Scooping up balls using a mini backhoe

Overseas Case Study ① Hong Kong Coastal Cleanup

Every year since 2010, about 100 people from our Hong Kong Branch have participated in a trash cleanup campaign sponsored by a U.S. non-governmental organization (NGO). Through this activity, Nishimatsu employees enhance their environmental awareness and deepen ties with local staff and their families. Participants not only collect trash, but also report its type and weight to the NGO, thus aiding in an environmental conservation study on drifting garbage in the ocean and trash and debris washed ashore.

Overseas Case Study ② Donating Work Clothes to Nepal

In April 2015, a major earthquake struck Nepal. Nishimatsu work uniforms had recently been redesigned and restyled, and to make effective use of the old uniforms, in February 2016, we donated about 4,000 of these clothing items to Nepal. We later received words of gratitude from the people of Nepal: "People from adults to children were left with nothing but the clothes on their backs and sandals on their bare feet. Even now, we are involved in reconstruction with no end in sight. It was good to receive the clothes you sent."



Presentation ceremony in Nepal

Responding to the Kumamoto Earthquake

After the earthquake, we immediately set up a disaster response headquarters, and established the Kumamoto Building Reconstruction Branch Office and the Kumamoto Civil Engineering Reconstruction Branch Office within our Kumamoto office to serve as bases for providing recovery and reconstruction assistance.

While maintaining close liaison with the Kyushu Regional Headquarters sales department and various business divisions, the entire company is working together to provide support in the reconstruction effort.

Major reconstruction support activities by Nishimatsu included:

- Providing emergency relief supplies such as water, food, and daily necessities to affected municipalities (Uto, Minami-aso, Nishihara, Koshi, and Yatsushiro)
- Damage assessment visits in response to a request from the MLIT via the Japan Federation of Construction Contractors to do a survey of the collapsed sections of the Aso Ohashi bridge
- Inspection of elevated tracks and repair work on the JR Kyushu Shinkansen Line (between Kumamoto and Yatsushiro) and on the JR Kagoshima Main Line (in Kumamoto City where we were engaged in construction work)
- Evaluation of buildings and structures by emergency risk assessment personnel, and responding to the results of their determinations
- Inspection and repair, and planning support for restoration or demolition of customer buildings and structures (including construction originally done by us, as well as properties built by other companies)
- Field surveys to assess damage to the Uto city hall building, and proposing demolition plans
- Notifying retirees and members of N-NET Kumamoto Branch that relief goods would be provided

N-Vision2020 VII. Industry and Supply Chains



Toward Achieving Our Vision

For our vision of the kind of company we hope to be in 2020, our goal is building fair CSR supply chains. We have been working on a number of activities aimed at achieving this goal, including revitalizing N-NET (Nishimatsu subcontractor's association) and increasing the number of senior foremen. We have been working steadily, but our vision for 2020 is still a long way off. Subcontractors in the construction industry constitute extremely important stakeholders who play a central role in our business activities. To ensure the continuity of our business, we will push ahead even more forcefully with activities aimed at achieving our vision.

Fiscal 2015 Achievements and Fiscal 2016 Goals

In fiscal 2015, the percentage of contracts awarded to N-NET members was about 60% on a value basis. One issue that has become apparent is instilling the significance and understanding of actively working with members. While the volume of work in the future is uncertain, how to narrow the sense of distance with members and how to generate benefits for them will demand careful thought. In fiscal 2016, we will not only aim to increase the percentage of contracts awarded, but we will also focus on improving the quality of our activities.

We were able to meet our target for the number of individuals certified as senior foremen. Senior foremen are at the heart of construction and safety management at work sites, and it is anticipated that they will make sites even more productive.

Holding CSR Procurement Workshops

With the increasing awareness of CSR procurement in recent years among customers placing orders for construction work, we are taking steps to develop CSR procurement guidelines for our company. In March 2016, we invited an outside expert and held a workshop on CSR procurement. It was an opportunity to get a sense of the need for CSR procurement and to give

thought to what defines the supply chain in the construction industry. In fiscal 2016, we will draw up CSR procurement guidelines, make them public for all our business partners, and seek their understanding of CSR procurement.

Revitalizing N-NET

Nishimatsu Construction and N-NET member companies are cooperating in developing the company's business and in improving financial performance. This is being achieved by upgrading technical capabilities, providing training support for technical personnel, reducing costs, exchanging information, conducting legal compliance education, and so on. Our aim is to strengthen the organization by building a robust supply chain based on collaborations that yield mutual harmony and benefit.

With a view toward developing and benefiting foremen, we are expanding our compensation system for high-caliber technicians. In April 2015, we increased benefits for high-caliber technicians, and in October 2015, we launched a system to pay 50,000 yen per person as financial support for training and development as a senior foreman (with some requirements for

payment). We plan to review and implement further support measures (such as an N-NET website).

- Senior foreman benefits: 2,000 yen/day
- Nishimatsu Meister benefits: 3,000 yen/day

- Number of Nishimatsu Meister or senior foremen (at the end of the fiscal year)

Title	FY2013	FY2014	FY2015
Nishimatsu Meister	1	6	8
Senior foreman	11	13	57

- Number of recipients of the high-caliber technician support program

Title	FY2013	FY2014	FY2015
Award for technical excellence	52	79	140
Support for acquiring senior technician certification	22	8	11
Senior foreman training development support (new system)			12

Collaborating with Subcontractors on the Himawari Project

Every year in June since 2011, we have been cooperating with the Himawari ("sunflower") Project in Natori City, Miyagi Prefecture, as a way of providing earthquake disaster reconstruction support. The Himawari Project sends seedlings grown in the Tokyo metropolitan area and other areas around the country to areas hit by the Great East Japan Earthquake. By producing sunflowers, it is intended to share the joy of growing flowers. Sunflower seeds harvested in areas affected by the disaster are distributed to other areas of the country, and after the new seedlings are grown, they are sent

back to affected areas. Thanks to this "relay of life" nurtured through this cycle, disaster-stricken areas and other communities are sharing smiles and joy.

When the Himawari Project was introduced at a general meeting of the Tohoku Branch of N-NET, there was a lot of support from among our subcontractors, and we are now working collaboratively on this effort. The number of subcontractors that have joined has been increasing year by year.

Reconstruction is still only half complete. We will continue to support the Himawari Project.

Participating in the Himawari Project

It was really good to be able to interact with local children by participating in this event. I got the sense that we are being helpful in the reconstruction of Natori City. We were also able to further strengthen ties with Nishimatsu Construction through the event. I would like to keep on participating and help in the reconstruction of Natori City.



President, Nosawa Inc. **Hiroyoshi Matsuki**

Community-oriented social initiatives

The Shikoku Branch of Nishimatsu Construction cosponsors the Tokushima Cooperative Forestry Project, whose aim is the development of forests within Tokushima Prefecture. Through activities such as tree planting and thinning, we are contributing to the creation of lush Tokushima forests. The N-NET Shikoku Branch supports this project and member companies are jointly taking part in these activities, which would otherwise be difficult for a single company to participate alone. In this way, we are boosting awareness of the entire membership with respect to environmental issues. Through the participation of N-NET in such activities, we would like to further solidify our win-win relationship.



Partnership signing ceremony (September 2015)
 (Governor of Tokushima Prefecture, Kamon Iizumi,
 and Shikoku Branch General Manager, Kunihiko Kawasaki)



President, Yamaguchi Construction Co., Ltd. **Toshiaki Yamaguchi**

140 -Year History

History of Nishimatsu Construction

Since its establishment in 1874, Nishimatsu Corporation has harnessed the full potential of its accumulated expertise to overcome a great many challenges. In so doing, the company has helped to develop safe and secure lands, while contributing to the development of communities in Japan and around the world. We have won the confidence of our many customers by displaying an unwavering determination to complete projects on time, no matter the circumstances. This spirit of commitment has been handed down through the generations at Nishimatsu Construction and it lives on in each and every one of our employees.



1943
Completed construction of the Sup'ung Dam on the Yalu River bordering North Korea and China. The dam was said to be the largest in the East at the time.



1930
Constructed the Nobeoka Plant.



1919
Received orders for multiple construction areas for the Hisatsu Railway Line in Kyushu, Japan, helping solidify the foundation of Nishimatsu's business.

1914
Received exclusive orders for the construction of a new line in Construction Area 12 of the Miyazaki Railway Line in Kyushu, Japan.



**Founder
Keisuke Nishimatsu**
1850 Born in Anpachi-gun in Mino Province (now Gifu Prefecture), Japan.
1874 Started civil engineering business.

Company founded



1962
Completed construction of the new head office building in the Toranomon District of Tokyo, Japan

1962
Constructed the Lower Shing Mun Dam in Hong Kong, marking Nishimatsu's first overseas project in the postwar era.



1960
Constructed a government office complex in Tokyo's Otemachi District.

1958
Constructed an underground parking lot in Tokyo's Hibiya District.



1953
Constructed the Arase Dam in Kumamoto Prefecture, Japan—a model construction considered to have heralded the coming of the era of mechanization.

1946
Constructed Japan's first rock-fill dam: Ishibuchi Dam in reservoirs along the Kitakami River in Iwate Prefecture.



1874

1874 Launched civil engineering business
1926 Launched overseas business
1930 Launched Building Construction business

1945

1962 Expanded into Hong Kong



1984
 Constructed the Bishan Depot of construction area 101 on Singapore's subway system.

1979
 Commenced construction of the new Tokyo Union Church building in Japan.
1982
 Received the bronze prize in a competition to revitalize hometowns.



1973
 Constructed the Nabetachiyama Tunnel in Niigata Prefecture, Japan—an extraordinarily difficult undertaking. Because the ground kept expanding no matter how deep the digging went, a wide range of civil engineering techniques had to be employed, making the construction of this tunnel one of the most remarkable feats in the history of civil engineering construction.



1972
 Constructed a Japanese-style annex to the State Guest House in Tokyo by combining the best of traditional and modern techniques.



1969
 Performed the world's first large-section slurry shield tunneling method when constructing the Haneda-oki Tunnel on the Keiyo Railway Line in Tokyo, Japan.

1963
 Established Nittai Construction (now called Thai Nishimatsu Construction Co., Ltd.), the first overseas subsidiary in Thailand for a Japanese construction company.



1960 ▶▶▶

1963 Expanded into Thailand
1980 Expanded into Singapore

2015
 Constructed a residential complex (Building D) in an urban redevelopment project in Kita-shinagawa, Tokyo, Japan.



2012
 Applied Nishimatsu's business know-how and the results of Tamagawa University's R&D activities to establish Sci Tech Farm—an industry-academia collaborative business for growing vegetables using LEDs as the sole main light source.



2003
 Completed an urban redevelopment project in Jinbo-cho, Tokyo, Japan.

1998
 Established the Aikawa Technical Research Institute in Kanagawa Prefecture. The institute houses a device that recreates the shaking of Japan's Great Hanshin-Awaji Earthquake for the purpose of clarifying the mechanism behind the structural damage that results from strong impact and vibration, such as that experienced during the Great Hanshin-Awaji Earthquake.



1992
 Received an order for the construction of a new airport in Hong Kong. At a development site on Chek Lap Kok Island, Nishimatsu led an international joint venture consisting of Costain (U.K.), Morrison Knudsen (U.S.), Ballast Nedam (Netherlands), Jan de Nul (Belgium), and China Harbour Engineering Company (China).

1990 ▶▶▶

2003 Efforts in the development and real estate business
2012 Efforts in new business areas

Domestic Civil Engineering

Using our acquired technologies, we aim to coexist harmoniously with nature and build land that is disaster resistant.

In addition to developing infrastructure and contributing to other companies' capital investment, we will establish win-win relationships with all of our stakeholders, including our clients, partner companies, and the general public.

Main Construction Work



National Route 45 Omoto Roadwork

Client: Tohoku Regional Development Bureau; Ministry of Land, Infrastructure, Transport, and Tourism
Completed: March 2016
Location: Between Miyako-shi and Iwazumi-cho, Shimohei-gun, Iwate Prefecture



Okegawa No. 2 Elevated Bridge Substructure Work, Ken-O Expressway

Client: East Nippon Expressway Co. Ltd. Kanto Branch
Completed: August 2015
Location: Kano, Toneri-shinden, Akabori, and Gochodai in Okegawa-shi



Susami No. 2 Tunnel Work, Kinki Expressway Kisei Route

Client: Kinki Regional Development Bureau; Ministry of Land, Infrastructure, Transport, and Tourism
Completed: May 2015
Location: Between Susami and Wabukagawa, Susami-cho, Nishimuro-gun, Wakayama Prefecture



Kan-ni Underground Tunnel Construction (Shin-ohashi Area)

Client: Tokyo Metropolitan Government
Completed: December 2015
Location: Tsukiji, Chuo-ku, Tokyo



Shin-tomei Expressway Shinshiro Roadwork

Client: Central Nippon Expressway Co. Ltd. Nagoya Branch
Completed: March 2016
Location: Between Yatsukaho, Shinshiro-shi, Aichi Prefecture and Inasa-cho, Kita-ku, Hamamatsu-shi, Shizuoka Prefecture



Kurino Power Plant Renovation

Client: JNC Corporation
Completed: September 2015
Location: Yusui-cho, Aira-gun, Kagoshima Prefecture

Domestic Building Construction

By constantly pursuing advances in software and hardware for building systems and by passing on accumulated technologies to future generations, we will contribute to the creation of safe cities where residents can live in peace of mind.

Main Construction Work



Sumitomo Realty & Development Mita Building
 Completed: August 2015
 Location: Minato-ku, Tokyo
 Total floor area: 24,209.20 m²



Coop Tohoku Dry Logistics Center
 Completed: June 2015
 Location: Tomiya-machi, Kurokawa-gun, Miyagi Prefecture
 Total floor area: 42,970.60 m²



Kamitsuga General Hospital
 Completed: March 2015
 Location: Kanuma-shi, Tochigi Prefecture
 Total floor area: 26,539.88 m²



Atlas Tower Hongo-ekimae
 Completed: September 2015
 Location: Nagoya-shi, Aichi Prefecture
 Total floor area: 19,449.92 m²



Kurume City Plaza
 Completed: November 2015
 Location: Kurume-shi, Fukuoka Prefecture
 Total floor area: 10,829.90 m²



Daiwa Roynet Hotel Tokushima-ekimae
 Completed: September 2015
 Location: Tokushima-shi, Tokushima Prefecture
 Total floor area: 9,170.54 m²

Overseas Business Operations

In the process of accumulating more than 50 years of experience operating overseas, we have worked together with local companies and local staff to develop civil infrastructure in many countries, and we have supported a number of Japanese companies to launch their businesses abroad.

Main Construction Work



HATC New Plant

Completed: March 2016
Location: Rojana Industrial Park, Prachinburi Province, Thailand



RIST New Plant and Welfare Building

Completed: January 2016
Location: Navanakorn Industrial Estate, Pathumthani Province, Thailand



West Island Line Sai Ying Pun Station, HKU Station, and Tunnel; Hong Kong MTR

Completed: March 2016
Location: Hong Kong

Development and Real Estate

We provide high-value-added solutions to diverse customer needs, based on our extensive experience and know-how in urban development and construction.

Main Projects



Tokai Otagawa Station West District (Urban Redevelopment Project)

Completed: August 2015
 Location: Tokai-shi, Aichi Prefecture
 Purpose: Housing, theater, commercial facilities, parking space
 Total floor area: 35,980 m²



Yamaguchi Nakaichi-cho 1 (Building Complex Development Project)

Completed: December 2015
 Location: Yamaguchi-shi, Yamaguchi Prefecture
 Purpose: Housing, commercial facilities, parking space
 Total floor area: 6,360 m²

Main Rental Buildings



NCO Kanda Awaji-cho

Location: Chiyoda-ku, Tokyo
 Purpose: Offices
 Total floor area: 2,622 m²



Tosho Building

Location: Chuo-ku, Tokyo
 Purpose: Offices, commercial facilities
 Total floor area: 4,484 m²



NCO Sapporo

Location: Kita-ku, Sapporo
 Purpose: Offices, commercial facilities
 Total floor area: 24,861 m²



NCR Minamikaji-machi

Location: Wakabayashi-ku, Sendai-shi
 Purpose: Housing (98 units)
 Total floor area: 2,962 m²

Corporate Outline

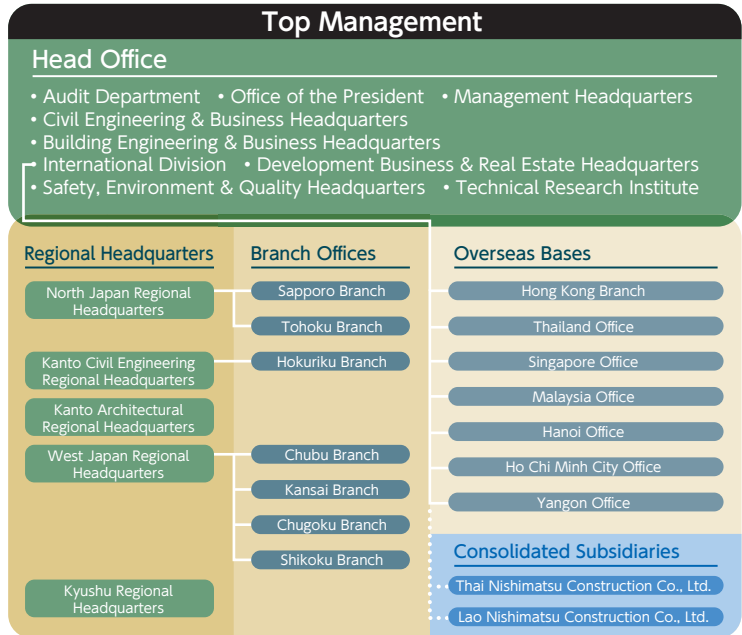
Name: Nishimatsu Construction Co., Ltd.
 Head office: 10th Floor Toranomon Hills Mori Tower,
 23-1 Toranomon 1-chome, Minato-ku,
 Tokyo 105-6310, Japan
 Phone: +81-3-3502-0232

President: Harusada Kondo
 Originally founded: 1874
 Established: September 20, 1937
 Capital: 23.5 billion yen (as of March 31, 2016)
 Number of employees: 2,467 (as of March 31, 2016)
 Main businesses: Construction, development,
 real estate, etc.

●History

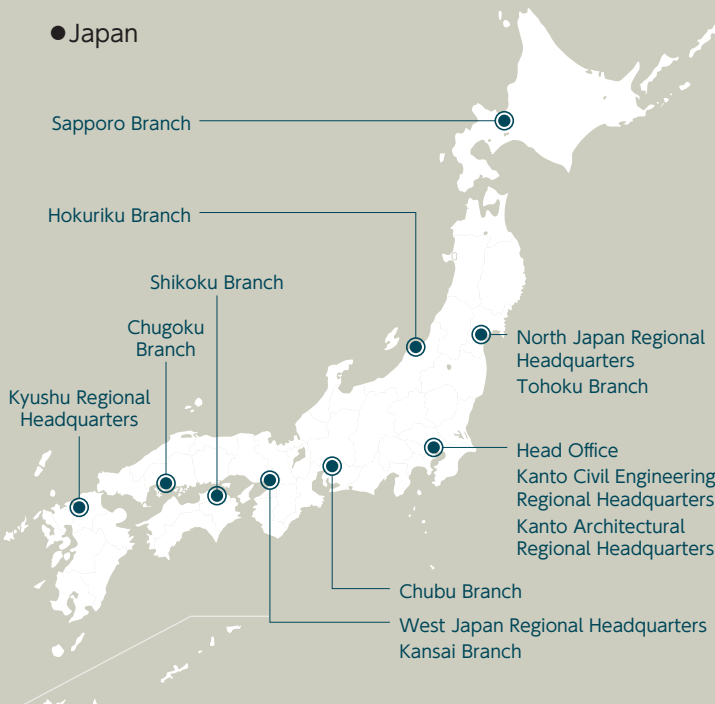
- 1874 Company founded.
- 1937 Nishimatsu Gumi Co., Ltd. established.
- 1944 Tokyo Branch opened.
- 1946 Kansai Branch opened (Osaka).
- 1948 Company name changed to Nishimatsu Construction Co., Ltd.
- 1948 Tohoku Branch opened (Sendai).
- 1949 Minister of Construction Registration (b) No. 8 completed in accordance with Construction Industry Act.
- 1950 Technical Research Institute established.
- 1951 Shikoku Branch opened (Takamatsu). Name of Kumamoto Branch changed to Kyushu Branch (Fukuoka).
- 1958 Chubu Branch opened (Nagoya).
- 1962 Tokyo Architectural Branch opened.
- 1963 Listed on the First Section of the Tokyo Stock Exchange. Entered the Thai market.
- 1964 Sapporo Branch opened.
- 1965 Hong Kong Branch opened.
- 1966 Chugoku Branch opened (Hiroshima).
- 1972 Yokohama Branch opened.
- 1974 East Kanto Branch opened (Chiba).
- 2005 Hokuriku Branch opened (Niigata).
- 2010 Transitioned to a regional headquarters system.
- 2012 Introduced a business headquarters system.

●Organizational Structure

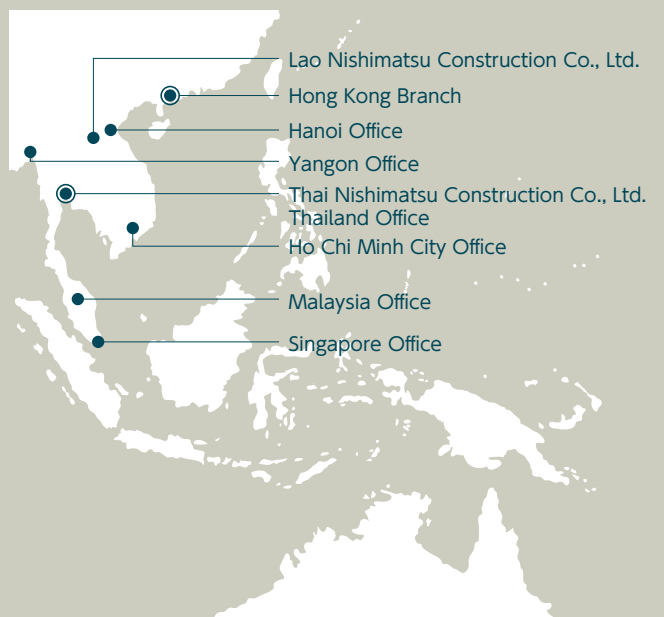


Operation Bases

●Japan

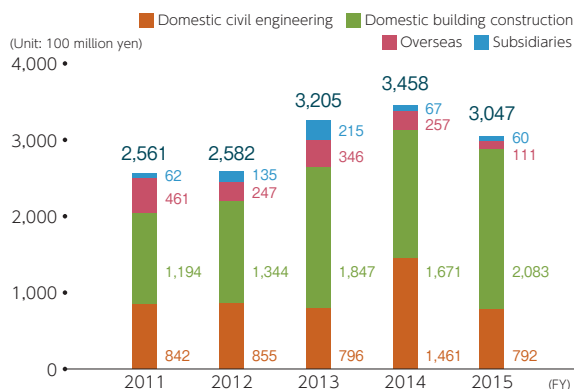


●Overseas

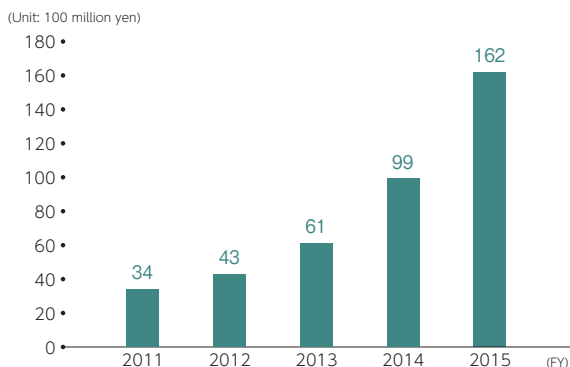


Business Performance

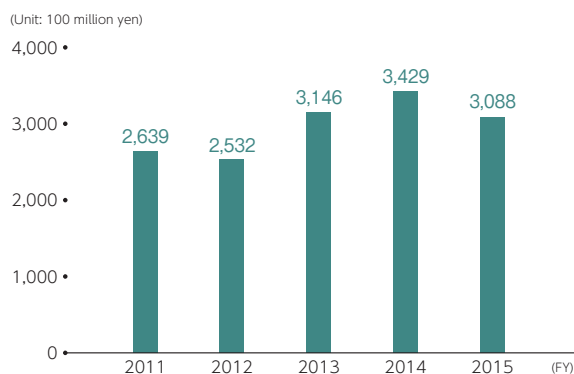
● Value of Construction Orders Received (Consolidated)



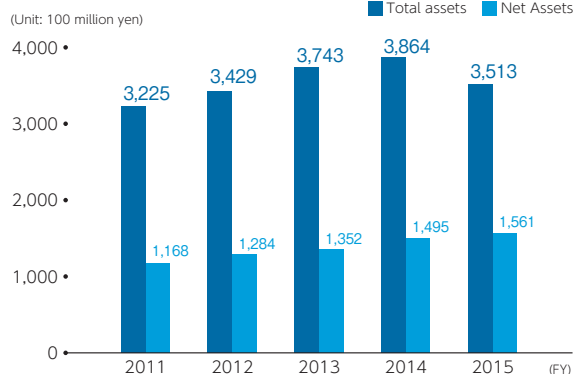
● Ordinary Income (Consolidated)



● Net Sales (Consolidated)

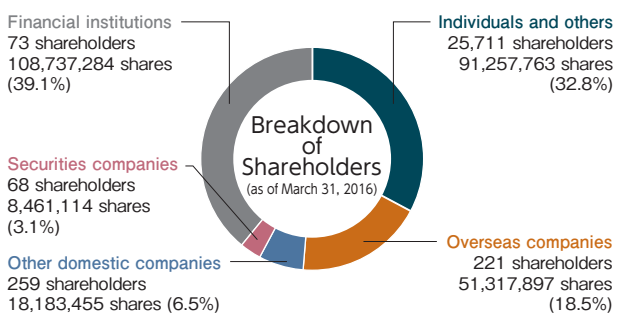


● Total Assets/Net Assets (Consolidated)



Stock Status

The status of our stocks and the breakdown of shareholders are as follows.



● Stock Status (as of March 31, 2016)

Securities identification code: 1820
 Listed on: Tokyo Stock Exchange (TSE)
 Total number of authorized shares: 800,000,000
 Total number of issued shares: 277,957,513
 Share unit: 1,000 shares per lot
 Number of shareholders: 26,332
 Shareholder registry administrator: Mizuho Trust & Banking
 Fiscal year: April 1 to March 31
 Year-end dividend: March 31 every year
 Annual shareholder meeting: June every year

Note: For more details regarding Nishimatsu's business performance and stock information, please visit our IR web page: <http://www.nishimatsu.co.jp/eng/ir/>.

Dividend Status

<Dividend Policy>

To strengthen our management foundation for lasting development, we have established a basic dividend policy of working to enhance internal reserves while, taking into account the business environment and our business performance in a comprehensive manner, setting the dividend payout ratio to be at least 30% of net income. In this way, we will return our profits to shareholders in a stable and ongoing way.

<Dividend Record>

The following table shows our dividend record for the last three years.

● Dividend Record

	Dividend per share	
	Year end	Annual
79th term (fiscal 2015)	16 yen	16 yen
78th term (fiscal 2014)	10 yen	10 yen
77th term (fiscal 2013)	6 yen	6 yen

Independent Evaluation by an Outside Expert

Year by year, Nishimatsu Construction's *Sustainability Report* continues to expand and improve. The 2016 edition has grown to 62 pages, an increase of 14 pages over last year's edition. It has become close to an integrated report. In addition to newly providing financial and non-financial data, the details of the Medium-Term Management Plan are presented in an easy-to-understand way, and reports from each business headquarters including Civil Engineering & Business, Building Engineering & Business, Development Business & Real Estate, and the International Division, have also been added.

In 2015, amidst growing calls for companies to take proactive steps to deal with the environment such as the adoption of Sustainable Development Goals (SDGs) in September, and the signing of the Paris Agreement in December, Nishimatsu Construction has made substantial progress in environmentally related reporting and initiatives. In particular, high marks can be awarded to gaining certification from the Minister of the Environment as an Eco-First Company, and to compiling targets associated with the environment into a coherent whole under the Nishimatsu Green Way concept in order to manage environmental performance in an integrated manner. The company is also advancing efforts toward preserving biodiversity. In my independent evaluation in the *2013 CSR Report*, I wrote that I looked forward in a few years to seeing Nishimatsu being renowned for its environmental activities, and I am very pleased that Nishimatsu Construction is advancing in this direction. What has the potential, with a little ingenuity, for improvement is the section on environmental accounting. It would be good if it conformed to the Japanese government's Environmental Reporting Guidelines (2012) and Environmental Accounting Guidelines. In addition, reform of the governance structure is also worthy of note. Today, there is only a certain number of Japanese companies with an American-style corporate governance structure adopting the Nomination Committee system on the grounds that it goes against the grain of Japanese-style management culture. In 2015, it appears that many companies have made the transition to the newly established Audit and Supervisory Committee system. Among the reasons for making the transition are the difficulty of retaining external directors and the desire to give more power to external directors. At the same time, there are also those who voice concerns that, in companies with an audit and supervisory committee, the boundary line between monitoring and execution is blurred. However, considering the fact that even companies who have adopted the American corporate governance structure where there is a clear boundary between monitoring and execution still have problems, it is evident that the issue is not merely the governance structure. How to build a system that enables efficient, impartial management decisions, and how to maintain a sound, honest corporate culture that supports such a system—that is indeed the problem.



Professor Toru Umeda

Former Representative, Business Ethics and Compliance Research Center
Faculty of Foreign Language Studies, Reitaku University

Response to the Independent Evaluation by an Outside Expert

Beginning with the 2013 report, we have requested an independent evaluation by an outside expert, and have been presented with the assessment that the content has expanded and improved each year. I feel this to be a great encouragement in advancing our management plan in which financial and non-financial targets are integrated. In the future, we will not only set numerical targets, but also expand deployment of the PDCA cycle (Plan, Do, Check and Act) in our activities with the aim of attaining goals. We remain committed to implementing even more effective financial and non-financial CSR activities.

One new feature of this report that makes it close to an integrated report is publishing a message from the head of each business headquarters regarding the future direction of each business segment. In the future, we will strive for an even more complete report that takes a hard look at the medium- and long-term outlook for 2020 and beyond, one that makes it more rewarding and even easier for stakeholders to understand the current situation and future policy direction.

The initiatives of the Safety, Environment & Quality Headquarters, which was established in fiscal 2015, have also made gradual, but steady progress. One of these initiatives was to declare our Eco-First Commitment as our policy to deal with the environment. As interest in the environment grows among the general public, we will continue to develop and deploy concrete initiatives to attain our goals with all employees joining forces in the same direction.

We have received an extremely valuable opinion regarding our initiatives on corporate governance. Although the corporate governance system was developed in concert with changes in organizational design, we recognized once again that the important next steps are to continue to make this system function effectively and to further strengthen governance.

In the future, with our Medium-Term Management Plan 2017 as well as N-Vision2020 serving as our foundation, our desire is to aim for further sustainable development, and to develop and expand fulfilling CSR activities.

Masakazu Hosokawa
General Manager
Corporate Planning Department

Your Feedback on This Report

Nishimatsu Construction wants more stakeholders to know about its CSR activities. Your candid opinions are important to us and will help us in our goal of further developing our future business activities based on our CSR management principles. In this regard, we ask you to share your comments about this report or about our CSR activities by visiting the website below. There you will also find a brief questionnaire to which your considered responses would be greatly appreciated.

Web questionnaire and comments form

<http://www.nishimatsu.co.jp/eng/contact/communication.php>

Nishimatsu Sustainability Report 2015 Customer Satisfaction Survey

Nishimatsu Construction has positioned its sustainability report as an important tool for communicating with all of our stakeholders. Every year, we conduct a voluntary customer satisfaction survey on the Nishimatsu Sustainability Report. Here are the results we received from our stakeholders for our survey on Nishimatsu Sustainability Report 2015.

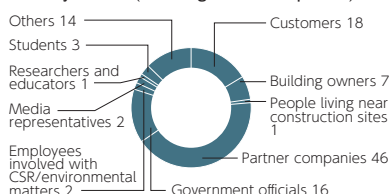
Survey Response

In 2015, we received 110 responses from outside the company, a decrease from the 193 responses received the previous year. A likely reason for this decrease is that we were not thorough enough in collecting the completed surveys after we distributed the Sustainability Report. We will have the Nishimatsu Construction employees responsible for collecting the completed surveys work closely together in order to ensure a higher survey response rate from outside the company. Regarding the breakdown of who responded to the surveys, partner companies once again accounted for the largest percentage of completed surveys, at about 40%, followed by customers and government officials.

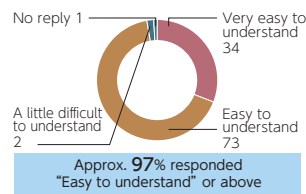
Results

Regarding the sections that readers found most interesting, in first place was "NISHIMATSU View" (an article titled 'Nishimatsu Diversity'), in second place was "Construction and Customers," and tied for third place were "Top Message" and "140-Year History." The 2015 report was partially overhauled from the 2014 version so it is hard to make a direct comparison between the two. However, looking at the fact that the three top-ranked articles in the 2014 report were "Major Construction Work in Fiscal 2013," "Message from the President," and "Corporate Outline/Business Outline," we can see that there has been an increase in stakeholder interest in Nishimatsu Construction's diversity.

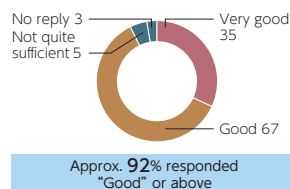
Nishimatsu Sustainability Report 2015 Survey Results (including external responses)



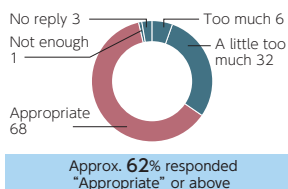
Understandability



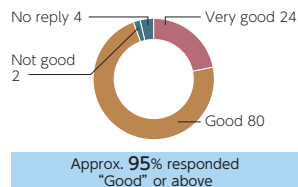
Contents



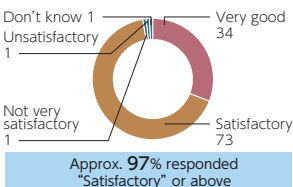
Amount of Information



Design



Evaluation of Our CSR Activities



Most Interesting Articles (multiple answers allowed)



Independent Assurance Statement



Independent Assurance Statement

July 19, 2016

Mr. Harasada Kondo
 Representative Director and President
 Nishimatsu Construction Co., Ltd.

1. Purpose
 We, Sustainability Accounting Co., Ltd., have been engaged by Nishimatsu Construction Co., Ltd. ("the Company") to provide limited assurance on the Company's domestic as well as overseas (Hong Kong, Thailand and Singapore) CO₂ emissions during the fiscal year 2015, which were 72.5 thousand tons-CO₂ and 13.3 thousand tons-CO₂ respectively, 31.8 t-CO₂/100 Million yen (emission intensity from construction) and 2,943 thousand tons-CO₂ (Scope 3) (collectively "the CO₂ data"). We also have been engaged by the Company to provide limited assurance on the Company's various human resources data during the fiscal year 2015 ("the human resources data"). The purpose of this process is to express our conclusion on whether the CO₂ data and the human resources data were calculated in accordance with the Company's standards. The Company's management is responsible for calculating the CO₂ data and the human resources data. Our responsibility is to independently carry out a limited assurance engagement and to express our assurance conclusion.

2. Procedures Performed
 Our assurance engagement has been planned and performed in accordance with International Standard on Assurance Engagements 3000 (ISAE3000) and International Standard on Assurance Engagements 3410 (ISAE3410). The key procedures we carried out included:

- Interviewing the Company's responsible personnel to understand the Company's standards
- Reviewing the Company's standards
- Performing cross-checks on a sample basis and performing a recalculation to determine whether the CO₂ data and the human resources data were calculated in accordance with the Company's standards.

3. Conclusion
 Based on the procedures performed, nothing has come to our attention that causes us to believe that the CO₂ data and the human resources data have not been calculated, in all material respects, in accordance with the Company's standards.

We have no conflict of interest relationships with the Company.



Takashi Fukushima
 Representative Director
 Sustainability Accounting Co., Ltd.



Inquiries

Nishimatsu Construction Co., Ltd. CSR Planning Division, Corporate Planning Department
10th Floor Toranomon Hills Mori Tower, 23-1 Toranomon 1-chome, Minato-ku, Tokyo 105-6310, Japan
Phone: 81-3-3502-7554 Fax: 81-3-3502-7593
